Tuesday May 31 1983

Summit nations aim for

### **NEWS SUMMARY**

### GENERAL Ireland's leaders divided \$2.4bn at Forum in April

Ireland's Premier Dr Garret Fitz-Gerald and Opposition leader Charles Haughey were sharply di-vided in the opening session in Dublin of the New Ireland Forum, which is intended to produce a consensus on political structures for a united ireland.

Mr Haughey called for complete political and military withdrawal from Northern Ireland by Britain. to which Dr FitzGerald reacted

frostily. Page 20 In Londonderry, Martin McGuinness, Sinn Fein candidate in the British election, was arrested. James Downey, named by British police in connection with an alleged plot to kill British politicians, was seen in County Donegal, in the Republic of Ireland.

#### Israelis killed

Marian.

Two Israeli soldiers were killed and three wounded in a Palestinian guerrilla ambush in Lebanon. Page 2

UK presses on lead Britain is to press its EEC partners to speed progress on banning the use of lead in petrol.

#### Plea to Türkey

European Parliament asked Tur-kish President General Kenan Evren to commute 44 death sentences passed last week, 35 against Kurds.

#### Turkey-Iraq deal

Turkey and Iraq have agreed to allow other's troops to cross the border in pursuit of Kurdish rebels.

### Barth breaks down

several times and wept as he confessed to helping line up villagers and shooting them in the Oradour massacre in World War II.

### Rhine at highest

The Rhine is at its highest level for 35 years, Floods and mudslips have killed seven people in the Rhine-

#### E. German expulsions East Germany has expelled six

more peace activists, who were cen-

### Greek banks hit

Greek banks shut yesterday when workers protested against a move to restrict the right to strike in the public sector. Stoppages are planned for today and tomorrow. Other protests are planned against transport, hospitals, power, teleunications and ports.

### S. African ruling

South Africa's Appeal Court went against government "influx control" policy by raling that migrants who have worked for the same employer for 10 years gain the right of permanent residence in towns.

### D-Marx

West Germany is to issue DM 5 coins next month to commemorate the 100th anniversary of the death of Karl Marx, who was born in

### Briefly . . .

iceland: Volcano began erupting under Vatnajökull glacier. Denmaric: Thieves stole 55 antique medals and coins from Frederiks-

borg Castle. Muiden, Netherlands: Three workers were killed by a blast at an explosives factory.

Peking temperatures reached 36.8C (100.9F) in the city's hottest May for

### **BUSINESS** Japan's surplus

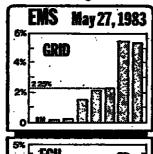
### • JAPAN achieved an April current-account surplus of \$2.3bn, sec-end only to the March 1978 figure

\$2.4bn. Page 3

• LONDON, WALL STREET: Ex-changes closed, holiday. ● TOKYO: Nikkei Dow index gained 29.45 from Saturday's session at 8,622.35. Stock Exchange in-dex was 2.78 ahead at 638.11. Re-

port, leading prices, other ex-changes, Page 29 ● AUSTRALIA'S Labor Govern ment is setting up an inquiry into the country's financial system.

● JAPANESE and European companies are campaigning for relaxa-tion of EEC controls on the assembly of jointly produced video cas-sette recorders. Page 3



all change within the European-Former U.S. officer Heinz Barth, 62, tion remained focused on the strength of the U.S. dollar and diminishing hopes of an early cut in

U.S. interest rates. The French franc touched a record low against the dollar while the D-Mark retreated to levels not seen since December last year. The Italian lira was also weak, hovering close to a record low.

Within the system the Dutch guilder weakened after a loss of confidence after the last realignment, and was trading at its lower intervention point against the French franc. That gave rise to speculation that the Dutch central bank might have to lend support through direct intervention in the foreign exchange market and higher guilder

deposit rates. The chart shows the two constraints on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the syson the weakest currency in the sys-tem, defines the cross rates from which no currency (except the liva) may move more than 24 per cent. The lower chart gives each currency's divergence from its "central rate" against the European Curren-cy Unit (ECU), itself a basket of Eu-

● SAUDI ARABIA, Qatar, the United Arab Emirates, and Oman are to increase import duties from Sep-

● BRITAIN and Switzerland signed an agreement in principle to accept each other's certificates covering trade standards. Page 3 INDONESIA has announced postponement or rescheduling of \$5bn worth of projects to save out-

lay of foreign currency.

• EAST GERMANY is ready to talk to West Germany on increase currency requirements for West Germans entering East Germany. CHINA is to buy millions of dollars' worth of milk powder from New Zealand

### Wall St prices

Friday's closing Wall Street prices, usually carried in our Monday edition, are not included in this issue because of public holidays yesterday in the U.S. and Britain. Wall Street and the London Stock Exchange were closed yesterday.

### closer economic policies BY REGINALD DALE, U.S. EDITOR, IN WILLIAMSBURG THE WILLIAMSBURG summit terpreted by the French as vindicat-.

ended yesterday with a public dis-play of Western unity in which the seven leading industrialised na-tions agreed to work for tighter convergence of their economic policiesto promote greater exchange rate stability and non-inflationary world economic growth.

The generally bland concluding statement from the two-day summit gave President Ronald Reagan much of what he had hoped for but fell short of French demands for a big review of the international monetary system and a more ordered regime of exchange rates.

In a last-minute concession to the

French, however, the other countries agreed to consider the possibility at some future date of a world monetary conference, as called for by President François Mitterrand. The heads of government said they had "invited ministers of finance, in consultation with the managing director of the Interna-tional Monetary Fund, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this pro-cess by a high-level international monetary conference."

The concession, considered largely cosmetic by most of the other ing M Mitterrand's stand.

As the conference opened on Saturday evening, M Mitterrand had compromised by dropping his origi-nal reference to a "new Bretton Woods" meeting, which he said had been misunderstood as implying a return to fixed exchange rates. Mrs Margaret Thatcher, the Brit-

ish Prime Minister - who left early. to continue her general election campaign - interpreted the summit's deliberations as a clear endorsement of her economic policies and her overall leadership.

Most of the summit's prescriptions were for more of the same, whether on efforts to control inflation, intensify economic and monetary consultations, or rescue indebted developing countries.

The summit statements nevertheless concealed persistent divergences over U.S. domestic economic policies - particularly on interest rates and budget deficits - as well as on the management of exchange rates and Mr Reagan's apparent efsummit into a forum for consulta- the size of the deficits - a link that tions on East-West economic and

A joint statement reaffirming the

strenuous French and Canadian obections to such an initiative had

been overcome. . The summit, however, avoided a major ideological clash over the overall Western approach to the Soviet Union, such as that which embittered last year's Versailles summit and its aftermath.

The main thrust of the summit's work on economic convergence was contained in a separate working paper in which the finance ministers agreed to strengthen the five-nation "surveillance" procedures first agreed at Versailles.

White House officials maintained that the other participants had shown "understanding" of U.S. budgetary and interest rate problems and Mr Reagan's plan to reduce budget deficits by spending cuts

and economic growth.

Mrs Thatcher, while expressing her concern, was generally sympathetic to Mr Reagan's predicament. The other leaders, however, launched strong attacks on the con-tinuing high level of U.S. interest forts to turn the annual economic rates, which they linked directly to was again rejected by Mr Donald Regan, the U.S. Treasury Secre-

West's commitment to arms reduc-tions from a position of military strength was agreed only after The U.S. nevertheless found little difficulty in accepting the commit-ment in the final statement to re-Defence policies provide fuel for attack, arms statement, UK opposition's attack, Page 2: text of final communiqué, Page 6

duce structural budget deficits and interest rates from their present

nance Minister, said the debate on interest rates had been heated, with all the other countries uniting in their onslaught on Mr Reagan, who responded in a sharp and lively

Agreement at Williamsburg to promote exchange rate stability and non-inflationary growth

by the French, however, was the danger posed to the world monetary system by the continuing rise of an overvalued dollar as a reserve or "reference" currency dominating international transactions

The summit expressed willingess "to undertake co-ordinated intervention in exchange markets in instances where it is agreed that such intervention would be help-

The summit leaders repeated their commitment to halting protectionism and paying greater attention to the link between monetary, trade, economic and financial policies. They rejected, however, U.S. attempts to establish more regular joint meetings of trade and finance ministers along the lines of the gathering held at U.S. invitation during the meeting in Paris earlier this month of the Organisation for Economic Co-operation and Devel-

The main theme drummed home

and monetary policies. That follows the concept of the

The main forum for future discussions will be an extension of the trics. surveillance procedures for the five eading countries established at the cies has four headings: Versailles summit a year ago.

The agreement reflects the recog-

### Monetary and fiscal plans to be monitored

THE FINANCE ministers of the nition among heads of government seven summit countries yesterday agreed at Williamsburg an important and detailed statement on the their effects on trade and financia principles that should guide economic policy in the interests of better exchange-rate stability. The main theme, endorsed by the heads nomic policies rather than on direct of government, was that the coun-intervention in the foreign extries should co-operate in a regular medium-term review of their fiscal

British medium-term financial detailed, nor tie nations down to particular figures.

France, West Germany and Japan with the managing director of the are pledged to "discipline over gov-international Monetary Fund to ernment expenditure, particularly process should become more formalised and perhaps more regular.

change markets. However, the guidelines on which policies should converge have now been made more explicit. The statement agreed by finance strategy, although it will not be as ministers included a clause aimed

of a shift of focus of policy towards

the levels of exchange rates and

flows when rates are "misaligned."

the need for convergence of eco-

intervention in the foreign ex-

The emphasis continues to be on

particularly at the U.S., underlining the need to consider the effects of domestic policies on other cour The main charter for future poli-

Monetary policy. Growth of Since then, there have been three monetary aggregates should be dismeetings of the finance ministers of ciplined and non-inflationary. Interthe SDR (special drawing rights) est rates should be appropriate to countries - the U.S., the UK, avoid future inflation. Fiscal policy. The governments

compare general economic policies. transfer payments," and to reduce It was decided yesterday that this "structural budget deficits." Exchange rates. Consultations

are to be improved with policy con-Continued on Page 20

### Chevènement criticises Paris policy on franc

JEAN-PIERRE CHEVÊN-EMENT, the former French Minister of Industry, embarrassed his Socialist colleagues at the weekend by claiming that France could not

Directly attacking the stabilisation measures announced in March. M Chevenement predicted an increase in unemployment and added that in view of the difference between France and West Germany's inflation rate, "the only issue is to know when the next readjustment will take place."

M Chevenement, who leads the

Ceres faction on the left of the party, told a Socialist convention that the Government's policy would not succeed and that it was not Socialist. He delivered an indirect rebuff to President Mitterrand in saying that although the government had anly one policy, that did not prevent the Socialist party from having two. In an effort to quell speculation of

chemical company, has embarked

reports to Dr Charles Reece, main gallon.

board director, for research and

technology.



M. Chevènement:

'devaluation inevitable' within the government. He repeated then his support for the measures taken by M Jacques Delors, the Finance Minister, and M Pierre Mauroy, the Prime Minister.

M Chevenement said that the

divisions within the government deflation of demand would only reover the issues of protectionism and sult in a fall in investment. In a key withdrawal from the EMS, President Mitterrand said a fortnight out the alternative policy favoured ago that there was only one policy by some radicals in the party.

ICI in £10m science venture

THE BOARD of ICI, Britain's chief in electronics and information tech- ogy by a big factor - not to compete

(\$16m) initially to a three-year experiment, with a commercial goal of creating a new £100m speciality ket for chemicals in electronics – a cless for the final product as brief as

The market has already attracted such names as Allied Chemical, Du-

Dr Reece says the aim of the new

electronics chemical business.

"Without leaving the EMS, " he said, we can renegotiate our participation in it like the pound sterling, carry out more frequent read-justments, avoid incurring shortgoods from abroad while providing a stimulus for domestic produc-

M Chevenement and his support ers found themselves very much in the minority at the convention and were criticised for disloyalty to the party. But by speaking out now, he hopes to strengthen his position at the party Congress in the autumn should the austerity measures be seen to have failed.

A danger for the government is that his remarks will encourage the Communists to sharpen their criti-

Among those who railied to the government's defence against M Chevenement was M Edmond Maire, the leader of the pro-Socialist CFDT union. He said there were Frenchmen who made the government the scapegoat for the country's difficulties and intellectuals who took a morose satisfaction in their disappointment.

on price." It means close collabora-

tion with a customer to identify

markets, he says.

Dr Reece believes the best oppor-

tunities lie at the man-machine in-terface: visual displays and print-outs, for example. But he describes

The entrepreneur ICI has chosen for its new business venture is Mr

John Mellersh, formerly responsi-

ble for finding new business for

ICTs organics division. The elec-

tronics group has set up office this month at Runcorn Heath, with a

Mr Mellersh says his group has

access through an ICI data bank to 400,000 novel chemicals discovered

by ICI scientists but never commer-

### Sterling and \$ continue to strengthen By Jeremy Stone in London

EUROPEAN foreign-exchange markets vesterday were unimpressed by early indications from the economic summit at Williamsburg where leading nations were report ed to have agreed that concerted intervention in currency markets might be appropriate in some circumstances. The dollar and sterling continued to rise in the face of some central-bank intervention.

Foreign-exchange dealers were disappointed at the apparent lack of substantial results emerging from Williamsburg, although little had been expected.

Although public holidays in the U.S. and UK meant that trading in continental markets was thinner Continued on Page 20 | had opted to reduce the purchase to

### Spain to buy 72 U.S. jet fighters BY DAVID WHITE IN MADRID

SR FELIPE GONZÁLEZ, the Span-give itself greater flexibility and to Hornet fighters for its air force. The total value of the deal is estimated at about \$2.5bn. The decision finally eliminates the European Tornado multi-role

combat aircraft from what would through outside the countries participating in its manufacture - Britmands. ain, West Germany and Italy.

The Socialist Government has re-tained the original option chosen by the previous Spanish administration last July, but will reduce the initial purchase from 84 to 72 aircraft. Sr Gonzalez said the Government

ish Prime Minister, yesterday an- obtain savings on budget expendinounced that Spain would buy 72 ture of about Pta 50bn (\$360m).
U.S. McDonnell-Douglas F/A-18 The possibility of ingreasing The possibility of increasing the

number of aircraft later is left open. Although the choice of the U.S. ence of the Spanish air force, which concluded that the F/A-18 fitted its multi-role requirements better than have been its first export break- the Tornado, the reduction by a full squadron is a blow to military de-

The final purchase involves only half the 144 aircraft which were foreseen when studies on the next generation of fighters for the Spanish air force were started live years

Continued on Page 20

# LOCATIONS ISLOCATIONS

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#### advantage. In today's conditions, it's a Britain's economy: risks on Editorial comment: econoall sides . . . . . . . . . . . 18 mic summit; UK election . 18 Disarmament: of histrionics Lex: Britain's building Letters . . . . . . . . . . . . . . . . . 19 Standard Chartered &

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Companies . . . . 21-23 World Trade . . . . 4 UK . . . . 6-9 Companies . . . . . . 24

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

nology.

on a big new venture to unearth or invent novel chemicals for the elec-tronics industry, with the aim of ICI is already doing with the elec-

The company is committing £10m (\$16m) initially to a three-year experiment, with a commercial taking a significant share in that in- tronics industry. This is chiefly in

chemicals business by the end of high growth industry – at £5bn.

According to McGraw Hill's trade

The new business venture, called journal, Chemical Week, the spe-

the Electronics Group, is indepen-ciality chemicals needed by the in-dent of ICI's operating divisions. It dustry can cost as much as £1,000 a

Dr Reece says that initially the pont, Eastman Kodak, Hoechst and

main markets will be Japan and the Union Carbide. But ICI believes

U.S., where the company is already that, as yet, no one has a very large discussing collaborations with electronics chemical business.

tronics companies to invent the Dr Reece says the aim of the new chemicals needed for big advances venture will be "to advance technol-

and delusions . . . . . 19 societies . . . . . . . . . 20 Defence: U.S. restrictions on Lombard: the Maoists of exporting technology . . . . 4 Lord North Street . . . . 19 aviation . . . . . . . . . . . Section III

three years.

staff of 40.

\_ Contents — International . . . . . 2,3

Statistical trends: civil Bahrain:

DEFENCE and arms control policies provided an unexpected centre piece for the Williamsburg summit's major political dispute. It was not tat the seven leaders disagreed much about the fundamental issues. The row was overwhether, and if so, how and when, to record an agreement. The U.S. felt that the summit should respond to Friday's "threatening statement" by the Soviet Union that it might deploy missiles closer to the West if deployment of new American cruise and Pershing II missiles went ahead in Western Europe.

For the French, in particu-

Western Europe.
For the French, in particular, the injection of defence policy into an economic summit—at Anglo Saxon behest—taised profound questions about the way that the Western alliance should be run and its leading institutions organised.
After a long day of drawn out discussions and fraying tempers, the seven participants finally delivered a joint statement on its factorial saturday evening, and he was in no mood to kow tow further to the Americans.

More importantly, the French thought that Mr Reagan was confirming their worst fears by attempting to turn the Western summits into an American-dominated "super Nato"—a permanent forum for discussion of East-West and security delivered a joint statement on thoroughly at a world of East-West and security issues. No defence problem has ever been discussed so thoroughly at a world economic summit. delivered a joint statement on

delivered a joint statement on Sunday evening—seven hours after Mr George Shultz, the U.S. Secretary of State, had originally been due to read it out.

The statement pledged the summit countries to maintain military strength while pursuing arms reductions negotiations with the Soviet Union with "impetus and urgency."

thoroughly at a world economic summit. France, they pointed out, was not part of the integrated Nato military command. Nor was Japan. They found the initial draft of the statement too "aggressive" and too full of etails of the U.S. negotiating position that they did not wish to be officially committed to. The summit had no right to dictate policy in such other The statement pledged the summit countries to maintain military strength while pursuing arms reductions negotiations with the Soviet Union with "impetus and urgency." It warned Moscow that it could not divide the West "by seeking to influence public opinion" or trying to include the British and French strategic dictate policy in such other matters as the U.S. negotiation on chemical weapons, the Madrid conference on security and co-operation in Europe or the Vienna conventional force the British and French strategic deterrents in the Geneva negotiations on intermediate range nuclear forces (INF). reduction talks (MBFR), they

While these sentiments were far from new, President Reagan with France, though not on the wanted the commitment to strengthen his hand both with and British deterrents from the the Soviet Union and with U.S. domestic opinion. The summit reaffirmed the deployment plan in a response that was welcomed as "very strong" by Europeans. Japan unted to be

Mrs Margaret Thatcher, the British Prime Minister, thought that the statement could be useful for her election campaign, emphasising as it did the West's commitment to arms reductions alongeis.

### **Arms text** affirms united front

WILLIAMSBURG — The following is the full text of the arms control statement issued by the seven major industrial countries

seven major industrial countries at the summit:

As leaders of our seven countries, it is our first duty to defend the freedom and justice on which our democracies are based. To this end, we shall maintain sufficient military strength to deter any attack, to counter any threat, and to encounter any threat, and to en-sure the peace. Our arms will never be used except in response to aggression.

We wish to achieve lower

levels of arms through serious arms control negotiations. With arms control negotiations. With this statement, we reaffirm our dedication to the search for peace and meaningful arms reductions. We are ready to work with the Soviet Union to this purpose and call upon the Soviet Union to work with us.

• Effective arms control agreements must be based on the principle of equality and must be verifiable. Proposals have be verifiable. Proposals have been put forward from the Western side to achieve positive Western side to achieve positive results in various international negotiations: On strategic weapons (Start), on intermediate-range nuclear missiles (INF), on chemical weapons, on reduction of forces in central Europe (MBFR), and a conference on disarmament in Europe.

We believe that we must con-

 We believe that we must continue to pursue these negotiations with impetus and urgency. In the area of INF, in particular, we call upon the Soviet Union to contribute constructively to the success of the negotiations. Attempts to divide the West by proposing inclu-sion of the deterrent forces of third countries, such as those of France and the UK, will fail. Consideration of these systems has no place in the INF negotiations.

Our nations express the strong wish that a balanced INF agreement be reached shortly. Should this occur, the negotiations will determine the level of deployment. It is well known that should this not occur, the countries concerned will pro-ceed with the planned deploy-ment of the U.S. systems in Europe at the end of 1983.

Our nations are united in efforts for arms reductions and will continue to carry out thorough and intensive consultations. The security of our countries is indivisible and must be approached on a global basis. Attempts to avoid serious negoination to defend peace and weapons—the French felt that tiation by seeking to influence eedom.

For hours the French dug in went along with a statement will fail.

### Time will tell if summit's tone was confident or complacent

BY ANATOLE KALETSKY IN WILLIAMSBURG

WHETHER THE right description for the tone of the sevennation summit was "confident" tration about or "complacent" will only be revealed in the months and years ahead.

President Regard the recovery

years ahead.

President Ronald Reagan, the host, had made it clear from the start that he hoped for a summit which would endorse his optimism about the U.S. economic recovery. A strong U.S. recovery would take care, more or less automatically, of most of the other hazards firing the world—in his view at least. the world—in his view at least. One senior White House official, standing around waiting

takes hold."

How worried is the Administration about the overhang of finance ministers on the advantages. Third World debt? "It's pretty ages and disadvantages of well under control. Most of the debt problems will lessen once the recovery takes off."

The other leaders, however.

porters she was "heartened" by the conference.

Inflation and interest rates

were down and productivity was rising in several economies, however she warned that there

were no quick cures for the world economy, "A quick cure is a quack cure," Mrs Thatcher said.

The Prime Minister was careful to emphasise that there would be no change of course for the economy under her administration

Mr Michael Foot, the Labour leader, said the summit gave "no hope" for the country's 3.2m unemployed. "Williamsburg is a catastrophe for the Western world as a whole," he said.

tool slump

continues

THE U.S. machine tool industry

remains in a deep decession, with few signs of a recovery in business, Richard Lambert writes from New York.

\$119.2m, 21 per cent below the previous year's level and com-paring with figures of \$125.6m in March and \$97.5m in Febru-

ary. New orders in the first four

months of the year fell by 34 per cent to \$434m. The backlog at the end of April stood at just under \$990m, down from \$2,5bn

New orders in April fell to

administration.

Foot attacks lack of

BRITAIN'S opposition parties term. Earlier, she had teld re-

expansion strategy

BY IVO DAWNAY, LABOUR STAFF

yesterday seized on Mrs Margaret Thatcher's optimistic interpretation of the Williams-burg summit outcome as a new weapon with which to attack the Conservatives' sconomic

As the UK's general election campaign entered its third week, senior Labour Party leaders repeatedly warned that

Text of

Williamsburg

communique,

Page 6

the failure of the summit to agree a joint strategy for

expansion would have "catastrophic" consequences

The Labour attack came just

hours after the Prime Minister

returned to London to resume her campaign for a second

for industry and jobs.

well under control. Most of the debt problems will lessen once the recovery takes off."

The other leaders, however, came to Williamsburg in a more sullen mood. They came to complain about the level of U.S. interest rates and the dollar. And indeed they did delirer the President what was by all (except the U.S.) accounts, a harsh lecture on his fiscal policy. But they came out speaking of recovery, unity and convergence.

They said they understood the President's problem with Congress, although if they had read their papers they would have seen that the Congress is trying to force smaller deficits, not larger, on Mr Reagan. They confirmed for the President that the W.S., was moving towards the U.S., was moving towards the U.S., was moving towards the convery of the president that the U.S., was moving towards the U.S., was moving towards the setting and his official, standing around waiting for the leaders to go into Sunday lunch, was asked what the President would be telling the others about the massive U.S. budget deficits. "If the recovery really gets going you will hear less about the deficit problem, in the next year," he replied.

What about the increasing protectionism in the Congress protectionism in the Congress resulting from the strong dollar? "The protectionism is already fading as the recovery action needed (as a concession of the president that the congress is altered to reduce budget deficits need to reduce budget deficits need to reduce budget deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countries including even West Germany and trying to force smaller deficits, and convergence.

They said they understood the reduce budget deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countries including even West Germany and trying to force smaller deficits, and recovery—not just in the U.S. but, it read their papers they would have seen that the Congress is trying to force smaller deficits, and convergence.

They said they understood the reduce budget deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countries including even West Germany and trying to force smaller deficits, and reduce their papers they would have seen that the Congress is trying to force smaller deficits, and reduce budget to reduce budget deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countries including even West Germany and trying to force smaller deficits.

Indeed the really deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countries including even West Germany and trying to force smaller deficits.

Indeed the really deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countrie



optimistic President Reagan. Rather it was the stern Prime Minister Margaret Thatcher and, some way behind, the newly elected Chancellor Helmut Kohl of West Germany.

The Chancellor who, in his budget just a few weeks ago, put an additional fiscal squeeze on the German economy, on the German economy, heartily endorsed the continuing drive to reduce inflation and budget deficits. The idea that some countries, particularly Germany and Japan, might have "more room for manocuvre" than others, and might octive "nan others, and might therefore benefit both them-selves and the world by adopt-ing more stimulative policies, was apparently not even men-tioned during the discussions among the heads of state.





Mrs Margaret Thatcher (left) said she was "heartened" by the Williamsburg summit. But on her return to the UK she was attacked by Labour leaders because the summit failed to establish a strategy for expansion, Instead, the meeting appeared to take its tone from the optimism of its host, President Ronald Reagan (right) who argued that a recovery was underway

said.

Mr Denis Healey, the deputy
Labour leader and a former
Chancellor, claimed that the
summit outcome meant the
world banking system was now
at serious risk. In the UK, no
jobs, nor the solvency of any
company, could be guaranteed
over the coming 12 months.

economics spokesman, said the
summit had failed to tackle
reripplingly high interest
rates, Third World debts or unemployment.

"There are no signs whatever of a recovery here in
Britain and the British Government is determined to do nothing whatever to fight

company, could be guaranteed ment is determined to do noth-over the coming 12 months. In whatever to fight the Mr Peter Shore, Labour's recession, he said.

summit had failed to tackle dismissively to the summit. Mr cripplingly high interest e rates, Third World debts or unemployment.

"There are no signs whatever of a recovery here in Britain and the British Government is determined to do nothing whatever.

The Williamsburg conference had amounted to little more than "a mutual congratulation society," he added.

### ground in San Marino

By James Buxton in Rome

THE ATTEMPT by the Christian failed.

In elections at the weekend for the San Marino Grand Council support for the Christian Democrats, the biggest party, declined by a fac-policy under the Socialist adtion of a percentage point, while the ministration.

tion of a percentage point, while the ministration.

Sr Carlos Miranda, the head

ment, in which the Communists are the largest single party, will continue in office, making the 61-squarekilometre state the only one in Western Europe with a Communistled administration. The republic more than two decades until 1978. The outcome of the vote is a big

disappointment to the San Marino Christian Democrats, who had worked hard on the 21,000 voters (7,000 of whom are non-resident) to improve their position.

The key question in the Italian general election to be held at the end of next month, is by how much the Italian Socialist Party increases is vote. The slight fall in the Com-munist vote in San Marino may be taken in Rome as reflecting the marginal decline in the Italian Communist vote which both opinion polls and pundits lorecast.

#### Aircraft shot down over Maputo

By Michael Holman in Maputo AN unidentified aeroplane, thought to be a South African Mirage fighter, was shot down over Maputo are selected to represent the on Sunday afternoon, the official employer interest, another third Mozambique news agency has said. Several independent eyewit-nesses said two high-flying jets, which were overflying the city, were fired on by anti-aircraft guns situated on the bay. One of the planes was seen falling into the sea. An eyewitness with military experience identified the aeroplanes cult to evaluate. as Mirages. The same eyewitness reported that one of the planes had reported that one of the planes had dropped what seemed to be a smoke bomb over one of the city markets, sending shoppers fleeing session 10 times a year, it has an important map of the comin alarm, but no casualties were re-

### Right loses | Gonzalez on Latin American tour | U.S. machine | Soviet Union unlikely in effort to revive historic links

SPAIN yesterday entered a period of intense diplomatic activity with the start of a Latin American tour by Sr Democrats of San Marino, the tiny independent state in Northern Italy, to regain control of the republic from the Left appears to have Foreign Minister, Sr Fernando Moran.

two Socialist parties between them gained nearly 4 per cent.

The Communists, the second biggest party in San Marino, who have gest party in San Marino, who have prime Minister, resigned on ruled in coalition with the Socialists since 1978, lost nearly 1 per cent of their vote.

Unless the Socialist parties go in
Unless the Socialist parties go into the coalition with the Christian of a speech delivered by the Democrats, the present Govern-king to the Brazilian Parlament was found to correspond word-for-word with published de-clarations by Sr Gonzalez. The Latin American tour,

which covers five countries and six cities in six days, is being given a symbolic significance in that it is being placed before Sr Gonzalez's first trip to the

BY JOHN WYLES IN BRUSSELS

quango which can now be dis-pensed with, or an institution playing a valuable consultative

ole in the policy-making

the trade union opinion and the

For much of it's life Ecosoc.

Community still divided

THE EEC's economic and social European Parliament and mani-

limelight today as it celebrates influence.

But if, as some hold, it is munity opinion still divided as to whether it is a European apendix it has, none the less, a municipal state of the state of th

One-third of it's 156 members political time and effort than anyone could be bothered to find.

committee will bask in Brussels festly wields far less public

on worth of Ecosoc

Sr Felipe Gonzalez, sought yesterday to reassure inter-Socialist Government's commitment to the private sector and said it hoped to bring inflation down to European norms by the end of its term in 1986, our Madrid Correspondent writes.

Opening a two-day conference organised by the International Herald Tribune here, he said this year's inflation target of 12 per cent, against just over 14 per cent last year, was well within reach and that the aim was

have sought to play down the instead behind the so-called Contadora initiative, and Sr Gouzalez has extended his trip to include all four countries involved in the peace move — Colombia, Venezuela, Panama and Mexico — after a first stop in the Dominican Republic.

Spanish house of reviving

idea of a separate Spanish initiative in the central American imbroglio. The Government has put its weight instead behind the so-called

Sr Gonzalez's first trip to the U.S. on June 20.

The tour is being billed as essentially political in nature, and its impact is likely to be enhanced by Sr Gonzalez's own personal standing.

In the Dominican Republic.

Spanish hopes of reviving historic and linguistic links in the region, in the search for enhanced by Sr Gonzalez's own parkets for Spanish companies,

powerful hold on life. Created by the Treaty of Rome, it can

only be excised from the body politic by an amendment to the

Predictably, it's participants have fewer doubts as to its value. It's current president is M Francols Ceyrac, former

rates of 8 per cent next year, 6 per cent in 1985 and 4 per cent the following year.

Sr Gonzalex laid stress on the Government's aim not to increase the size of the public sector, with a strong implied

criticism of the nationalisa-tion programme can'd out by the French Socialist administration. Nationalisation was " not a

means of social progress," he said, evidently aiming to clear up concern among foreign investors in the wake of the expropriation of the Rumasa group.

However, Spanish officials have been voiced repeatedly in recent years.
Meanwhile, Sr Moran, in the

first top level contact between Madrid and Moscow since the Spanish Socialists took power last December, is due to sign a new bilateral maritime accord as a step towards setting trade relations on a more normal The accord replaces secret

agreements which were made with Moscow during the Franco regime, when the two countries had no diplomatic ties, and which covered the use by Soviet fishing vessels of facilities in the Canary Islands,

### Greek unions to step up strike action

By Victor Walker in Atheas GREECE'S Socialist Govern-ment yesterday faced its first

major confrontation with organised labour, over a move to restrict the right to strike in the public sector.

Banks throughout the country were closed yesterday and the Federation of Greek Bank Employee Organisations (OTOE) said further stoppages would be

Other strikes held yesterday, or called for later this week, affect public transport, hospital doctors, the public power cor-poration, telecommunications, Olympic Airways and port workers. Yesterday's stoppages co-

the trade union opinion and the remaining third, the "general interest." Required by the Treaty of Rome to provide the European Commission and the European Commission and the Council of Ministers with an opinion on all proposed EEC legislation. the committee's influence has always been difficult to evaluate. The compromises forced be never been able to attract as mon ground on important social much public attention as the and economic issues.

### Thomas tipped for El Salvador job Gerald E. Thomas, U.S. ambassador to Guyana and a retired navy admiral, is the top

a year earlier.

candidate to replace Mr Deane Hinton as American ambassador to embattled El Salvador, a Reagan administration official says, AP reports from Washing-

ton.
White House spokesman Mr Larry Speakes declined to con-firm yesterday that Mr Hinton would be replaced, telling reporters, "We have no announcement to make." But a well-placed official, who spoke on condition that he not be identified, confirmed that Mr Hinton is on his way out.

Hundreds detained after Lima explosions About 500 people have been detained in connection with a series of explosions that blacked out Lima for 90 minutes on Friday night, police officials said yesterday, Reuter reports from Lima.

Police blamed the Maoist Sendero Luminoso (Shining Path) marrilla pour ment for

Path) guerrilla movement for the 40 bomb attacks which felled 10 electricity pylons and destroyed the Bayer chemical industrial plant on the outskirts of the city. The damage is esti-mated at about \$400m.

Steel companies appeal against output fines Two steel companies, Kloeckner Werks of West Germany and Usinor of France, yesterday appealed against a European Community Court of Justice decision to fine them on charges

Yesterday's stoppages coincided with the opening of a
debate in parliament on a
government Bill to "socialise"
public utilities and state-owned
enterprises, including banks.
"Socialisation" is to consist
cssentially in the placing of representatives of the state, local
authority and trade unlons on
the boards of the organisations
concerned.

decision to fine them on charges
of excess production, AP-DJ
reports from Luxembourg.
On March 24, the court fined
kloeckner DM 109m for exceeding compulsory output during the fourth quarter of
1981 and the first and second
quarters of 1982. It also fined
Usinor FFr 82.4m for excess
output during the fourth quarter
of 1981.

# to beat economic problems, says report

By Nancy Dunne in Washington

Its writers conclude that the Soviet ecenemy will continue to grow at a low but steady level, perhaps as high as 2 per cent in some years. However, "any-thing the Soviet leaders might do that would be economically significant in improving perfarmance, say to a 3 to 4 per cent annual GNP growth, would be politically unacceptable within the USSR, and that anything that they might do that was poli-tically acceptable would be economically insignificant."

Having achieved a high growth rate until the 1970s, the Russians must now concentrate on "intensive" development rapid productivity gains through the introduction of new tech-nology, improved incentives and better planning and manage-ment. Yet the slow pace of economic reform and the de-cline in growth of plant and equipment threatens the introduction of new technology and hence productivity goals, the

report says.

Despite recent reforms, planning in the USSR today was
more centralised, rigid and de-Fublic disillusionment with the system may be contributing to the increase of alcoholism and mortality of work-age males and to the decrease in labour dis-cipline and labour productivity. The papers in the study, most of which contain original re-search based on primary sources

of information, cover a wide variety of topics, including in-vestment policy, industrial development, the steel industry, transportation, energy, defence,

for believing they had been tained or even slightly increased "tricked" by the U.S., when it without a massive increase in failed to extend promised "most the rate of capital spending.

THE Soviet Union, while possessing a "viable" economy with great potential, is beset by problems its leaders are unlikely to avercome, according to a study released yeaterday by the Congressional joint economic committee.

The two-volume study, "Soviet Economy to the 1980s: Problems and Prospects," is composed of more than 50 papers written by Government and private Soviet golden at the log policy making specialists before the death of Leonid Brezhnev.

Its writers conclude that the mittee plepum scheduled for

mid June. Mr Pelshe's contribution to Soviet politics was more symbolic than real for many years when his continued membership of the polithurs

membership of the polithurs reflected reluctance to disturb the delicate balance of power within it rather than his own intrinsic virtues.

Now, the polithuro is down to 12 members of whom five, including Foreign Minister Andrei Gramyko, Defence Minister Dmitri Usinov, and Prime Minister Nikolai Tikhopov are well over 70. The first two are strong supporters of Mr Andropov, the latter is considered ripe for replacement, provided Mr Andropov can muster enough support to overcome the blacking tactics of his main rival. Mr Konstantin Chernenko, 71, whose future also now hangs on the backstage power struggle raging in the Kremlin as the date for the plenum approaches.

favoured nation" status, even after the Russians permitted a vast increase in emigration.

The Russians are likely to continue expansion of their defence capability with a resulting adverse effect on the availability of investment capital and skilled labour.

Soviet assistance to Poland

in 1980 and 1981 totalled almost \$10bn and such assistance to its satellites is likely to continue burdening the USSR in the fore-seeable future. velopment, the steel industry, seeable future.

transportation, energy, defence, Sluggish growth in the steel Western technology transfer agriculture, health, population drag on the Soviet economy, changes and foreign trade.

Among the major points in gramme to develop Soviet the study are:

Western efforts to exert because it depends on rates of leverage over Soviet behaviour through trade embargoes have been unsuccessful.

Soviet leaders can be forgiven coal production can be major coal or orduction can be major coal or orduction can be major. Soviet leaders can be forgiven coal production can be main-

### Two more **Israelis** killed in Lebanon By David Lennon in Tel Aviv

GUERRILLA attacks on Israell forces in Lebanon intensified over the weekend. even as the threat of an immediate outbreak of war between Israeli and Syrian forces receded. This followed the ending of Syrian military manoeuvres in eastern Lebanon and on the Golan Heights.

Heights.
Two Israell soldiers were killed and three injured in an ambush near Bahamdoun in central Lebanon on Sunday afternoon, the army spokes-man amounced in Tel Aviv

afternoon, the army spekerman announced in Tel Aviv yesterday.

Officials in Jerusalem believe that Damaseus is deliberately encouraging incessant guerrilla harrassment of Israell troops. The Syrians, it is believed here, regard this as a more effective way of undermining Israel's resolve to stay in Lebanou than a full-scale war.

Israel has yet in find an effective way of combating the rising level of guerrilla attacks. From the point of view of casualties May could have been the worst month since the Israell forces began their withdrawal from Retrut last September. Seven seldiers were killed and 68 wounded.

On Synday alone, there were four guerrilla attacks on Israeli forces, though three of the incidents did not cause any serious casualties.

three of the incidents que not cause any serious casualities. Although tension between Israel and Syria has abated somewhat neither side has relaxed its military posture. Israeli forces are still in a high state of alert, and there have no reduction in

has been no reduction in troop levels which had been increased last week as a pro-cautionary measure.

increased last week as a precautionary measure.
Reuter reports from Beirut:
President Amin Gemayel of
Lebanon yesterday called on
other Arabs to support his
efforts to get foreign troops
out of the country,
In a speech in mainly
Muslim West Beirut, My
Muslim West Beirut, My
Muslims, Ry his very presence
he was backing his words
with action, it was the first
time for many years that a
president, traditionally a
Christian, had addressed a
public rally in the west of the
city.

astounded by his surprise attendance at the rally, which pera,, was a techtrent con-spons contage coming over charita thank, the certain's mas others, and a general

ment.

• Meanwhile, Mr. Yassir

Arafat, the Chairman of the

Palestine Liberation Organisation (PLO) yesterday canisation (PLO) yestersay can-celled a meeting of his closest aides planned for this week and toured northern Lebanon after hardline PLO officers had gained ground in their mutiny against his Fatah group, AP reports from Damascus. Fatah is the lawast of the PLO groups. largest of the PLO grapps.

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#### **Turkey claims** swift success against Kurds By Our Fereign Staff

The Turkish army's operation against Kurdish guerrillas in northern Iraq has been completed, according to a Foreign Ministry official's claims in Aukara, Last week some 2,900 Turkish troops, acting in coordination with the Iraqi government, moved across the Iraqi border to attack Kurdish guerillas. The Kurdish rebels had long been active in Turkey's south-ective in Turkey's south-eastern province and early in May killed throe Turkish soldiers.

There was some question yesterday, however, as to whether the Turkish operation had ended in a complete withdrawal of Turkish troops or whether the Turks had established themselves in two territors. Iragi territory.
The Turkish Foreign Ministry said that it understood

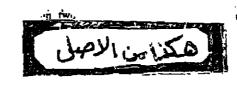
that the troops had left Iraq, after penetrating 30 kilometres (19 miles) into the country. But representatives in Londan of the main Kurdish rebel groups in Iraq reported that Turkish troops were consolidating positions up to 2 kilometres inside

livel territory.

Similar disagreement surrounded the scale of fighting in Iraqi Kurdistan at the end of last week. The Kurdistan of last week. The Kurdistan bemeeratic Party (KDP) said that there had been no clashes so far, though Turkish and Iraoi officials said that 1,500 to 2,000 Kurds had been captured. According to the two governments' version of counts there were no according to the second. two governments' version of events there were no samalities on the Turkish side.

The Patriotic Union of Kurdistan (PUK), a rival of the KDP in Iraq, reported that there had been heavy fighting, in which 160 Turkish soldiers had been wounded, and that the Turkish army had everynn two of the KDP's camps.

FINANCIAL TIMES, published daily amount Sondays and holidays. I.S. asbaription was \$420.00 per samuraceond Clean postage paid at New York, 18 Va. and 81 additional misling centres.



### Machel takes defence job in Mozambique reshuffle

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of Economic Affairs within the Office of the President, Several senior Ministers have also been given responsibility for individual provinces as part of an effort to decentralise the administration.

effort to decentralise the administration.

The latest phase of the reshuffle comes just a week after. South Africa bombed targets in the suburbs of Maputo, the Mozambique capital, underlining the country's vulnerability to attack. South Africa is also accused of backing the so-called Mozambique National Resistance (MNR), which now which includes three new ministers, four reassignments, five newly created deputy ministers, and a new ministry, go back to the April congress of the ruling party, Frelimo.

Delegates to the congress to Geomomic Affairs is Sr Jacinto Veloso, hitherto the Minister of Security. Sr Jose Lobo, the ambassador to the United Nations, has been recalled to become Minister of Mineral Resistance (MNR), which now ministers and officials who Minister by Sr Joao Ferreira.

MOZAMBIQUE has embarked on the most wide-ranging government reshuffle since independence in 1975, designed to meet criticism of its handling of a growing economic crisis, as well as its failure to control the activities of anti-government guerrillas.

Key moves announced by President Samora Machel include his own assumption of overall control of defence, and the creation of a new Minister of Economic Affairs within the most anather the recognisation of Economic Affairs within the ment in mine out of 10 prognorment in mine out of 10 prognorms.

Security problems caused by the dissidents have greatly aggravated Mozambique's economic plight, marked by rising and now compounded by the worst drought in 50 years.

The reorganisation of the government was launched by President Machel on May 21, in a marathon nine-hour speech, in a marathon nine-hour speech, in a marathon nine-hour speech, in a marathon of the creation of a new Minister of the Interior. The ex-Interior Minister of the Interior. The ex-Interior Mariano Matsinhe takes over the province to take o which he criticised his own Ministers and top officials for failing to stay in touch with "the voices of the people."

The origins of the reshuffle, which includes three new ministers four receiptment.

The importance of the judgment is that it will deter officials

Many thousands of migrant

workers are in a similar situa-

Mariano Matsinhe takes over the reorganised Ministry of Security, and Col Oscar Monteiro moves from his post as acting Governor of Gaza province to take over the Justice portfolio. President Machel himself will play a greater wile in defence matters. greater role in defence matter, although day to day respon-sibility appears to remain with Lt Gen Chipande.

### Chinese family planning shifts

By Mark Baker in Peking

tion, and the Government has not concealed its fears, that the interpretation of the Urban Areas Act in the courts will perblack migrant workers cannot mit a flow of blacks into the by definition work "contowns. Many opponents of the Government believe that following yes-terday's Appeal Court judgment this that no migrant worker the Government will pass new could ever satisfy Section Ten legislation to close what it sees

It has also ordered that couples with more than two children must accept sterilisa-tion of either the husband or

In announcing the measures Guangdong's deputy governor, Mr Wang Pingshan, said that the birth rate for couples with more than one child had risen to 19.2 per cent last year. He said the move on compulsory sterilisations was "an important technical policy" adopted in accordance with guidelines on populations con-

family planning commission China's national policy is that all urban residents and govern ment employees may have only one child, apart from excep-tional cases such as deformity

# to sterilisation

ONE OF China's most important provinces has introduced a programme of compulsory who, according to the liberal abortions and steriusauous who, according to the liberal Black Sash Organisation, have comples who break the national policy of one-child families.

The decision, believed to be the first on a province-wide basis, indicates that China is having serious problems in its campaign to contain population growth to less than 1.2bn by

women pregnant with a second child must undergo abortions and that women must use an intra-uterine device after one child.

in the first child. Rural dwellers are "strongly encouraged" to have only one child, but a second child is

The policy has led to wide-spread infanticide, particularly in rural areas where first-born daughters are killed off by couples who still believe in the traditional importance of having a son.

Anhui province infanticide had led to an imbalance of five to one between male and female infants. In one brigade, of 100 families, 40 new-born girls were drowned in 1980 and 1981.

### **CONTRACTS AND TENDERS**

of the Urban Areas Act, and win as a loophole.

S. African court upholds

migrant workers' rights

SOUTH AFRICA'S Appeal Court yesterday dealt a damaging blow to the Government's influx-control policy when it ruled that migrant workers who have the same employer for 10 years thereby gain the right of permanent residence in the Sujagments in the Sujagments in the Sujagments.

BY J. D. F. JONES IN JOHANNESBURG

permanent residence in the

in a keenly awaited judgment,

the Appeal Court, in Blomfon-tein rejected the appeal of the East Rand Administration

Board in the so-called "Rikhoto

The board had argued that

tinuously" because they have

to renew their work contract each year, it would follow from

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE Invitation to tender

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TRAVEL

been frequently ignoring earlier judgments in the Supreme Court, and enforcing their own interpretation of Section Ten. the year 2000.

The Guangdong provincial government, which administers 60m people bordering Hong Kong, has ordered that all

tolerated in some areas.

An official survey by the all China Women's Federation, released last month, found that in some production brigades in

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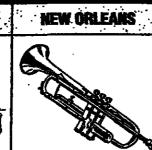
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### Japan achieves \$2.3bn surplus

JAPAN recorded its second biggest monthly current account surplus in April principally because of sharp drops in both the volume and price of oil

imports.
The surplus, \$2.3bn (£1.45bn) The surplus, \$2.30n (£1.450n) has only been once surpassed, by a \$2.40n surplus in March, 1978, and is comfortably in advance of the \$1.90n of March. A senior Bank of Japan official commented yesterday that this year's surplus will "essily double" the \$6.90n of 1982. Some private analysts are predicting it could amount to

predicting it could amount to \$15bn.\$20bn. This is something of a mixed blessing for Japan. Mr Haruo Maekawa, Governor of the Bank of Japan lamented in a speech last week that the magnitude of the surplus was "unfortunate" since it tended to perpetuate the impression overseas that Japan was once again exporting unem-

In Saturday's by-election, caused by Sir Billy's resignation, the swing back to the Liberal Party was approximately four percentage points.
On the other hand, no Australian Government has wrested a by-election victory

Labor fails

**Australian** 

by-election

By Michael Thompson-Noel

FAILURE to communicate

FAILURE to communicate its policies effectively, as well as this month's mini-budget, were among the reasons that Australia's Labor Government failed to win the weekend by-election in the Melbourne seat of Bruce, Labor strategists admit.

At the general election on March 5, Labor came within less than one percentage point of winning Bruce, held by the former Speaker of the House of Representatives, Sir Billy Snedden.

In Saturday's by-election,

to win

from the opposition since Earlier this month, Labor

introduced a mini-budget, whose most controversial feature was a proposed tax on lump-sum superannuation on lump-sum superannuation payments.

Mr Bob Hawke, the Prime Minister, admitted at the weekend that failure to explain the superannuation issue adequately had probably cost the Government vates.

cost the Government votes.
Yet the defeated Labor candidate, Mrs Heather O'Connor, went much further, saying the result was a warning to Labor that it would have to "communicate its policies much more effec-

Retention of Bruce was seen as a definite plus for the Liberals' new leader, Mr Andrew Peacock, who said the result reflected the voters' istaste for Labor's "broken

ports of \$12.05bn, 0.7 per cent below the previous month, and imports of \$9.30%n, a large 13.2 per cent monthly decline.

The Japanese Government is that domestic demand for fuel that do

convinced the year-long decline oil products, which has been setback to 453,056 units in in exports has reached bottom declining since 1980, would fall March compared to the same

The surplus also masks the fact that Japan remains a substantial net exporter of capital, which, at times, has helped undermine the value of the yen. In April the long term capital balance was in substantial deficit by \$2.03bn only a little less than the \$2.22bn of March and could exceed last year's \$15bn level.

The merchandise trade surplus in April, down slightly on March to \$2.75bn, reflected exports of \$12.05bn, 0.7 per cent

in exports has reached bottom and, with the impending recovery in the world economy, now constitutes one of the stronger elements in an otherwi: still sluggish domestic economy.

However, tangible evidence deciming since 1980, would fall March compared to the same month last year.

Exports of passenger cars declined 1.5 per cent to 359,100 units, while those of trucks droped 5.5 per cent to 149,554 units and those of buses fell from lower oil prices: the

### Assemblers seek bigger quotas on VCR kits

BY JOHN DAVIES IN WEST BERLIN

produced video cassette recorders (VCRs) in the European Economic Community.

The partners involved in the
J2T joint-venture in West Berlin and Newhaven, England,
appeared confident they can
mount a strong case for relaxamount a strong case for relaxaconstraints are already under

Will produce about two weeks. He said he failed
to see how the EC could stand
in the way of expanded joint
produced
to see how the EC could stand
in the way of expanded joint
produced
to see how the EC could stand
to

The partners are Victor Com-pany of Japan (JVC), the de-veloper of the VHS video re-corder system, Thorn-EMI of the UK and Telefunken of West Germany, in which Thomson-Brandt of France recently ac-quired a 75 per cent stake. Thomson-Brandt has also reached an agreement with JVC to make machines under licence. Under the three-year pact alignment of prices of imported support for expansion of the agreed by the European Com- and local produced VCRs. mission and Japan in February,

operations are already under way or planned in Europe in-volving Sony, Matsushita, Hitachi and Sanyo. These operations are all in competition with the entirely indigenous European operations of Philips and Grundig, which, least 1.2m sets in the EEC and

the end of next year.

Other VCR local assembly paign for relaxation of curbs,

Other VCR local assembly J2T yesterday staged a formal opening ceremony at its West Berlin factory—one year after the actual start up

Amid the whir of television cameras the occasion was used to demonstrate official backing as Dr Richard von Weizsaecker. however, are protected by governing mayor of West clauses of the pact guaranteeing Berlin, and Herr Wolfgang European producers sales of at Kartte, president of the West Kartte, president of the West German Cartel Office, expressed

An executive of Thorn-EMI Herr Kartte indicated he was later this year.

JAPANESE and European companies are intensifying their to the EEC this year to 4.55m, that J2T's case for relaxing the intensifying their campaign for an easing of curbs on the assembly of jointly produced video cassette recorders (VCRs) in the European Economic Community.

The partners involved in the Taylor of the following and the product of the following and the production with a higher local same who was an assured jobs for the future. The partners involved in the reach 700,000 next year, with the restrictions said in West Berlin yesterday unhappy with the restrictions in the EEC-Japan agreement, curbs on local joint ventures would go to the EC in about two weeks. He said he failed to see how the EC could stand in the way of expanded joint the future. Most outspoken however was in the way of expanded joint production with a higher local executive of Telefunken, who said bluntly that further growth. said bluntly that further growth of the factory, now employing 450 workers, depended on a political decision to ease the

Japan-EEC pact. Mr Ichiro Shinji, president of IVC said his company regretted that kits for assembly in West Berlin were included He believed J2T was a model for future co-operation between

companies. The EEC and Japanese authorities are expected to meet towards the end of June to discuss operation of the pact. Other meetings are expected

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But the French government some the French government some still has not announced a firm order for a second satellite, TDF-2, which would be needed for the country's planned satellite TV system to become operational. Since the satellite to be ordered world-casting in particular how it will fit in with plans to expand casting cable TV.

Cable transmission centres. will take about three and a half years to build, there is a risk that France will not be able to keep to its target of starting satellite TV by 1986.

The main them to homes wis ground and the homes with the ho

The main shareholders in and Thomson the French this reason television satellites nationalised aerospace and may not need to be as high-electronics groups together powered as those envisaged with . Messerschmitt of West under Franco-German plans at the end of the 1970s.

CONCERN IS growing among European satellite companies about possible delays to France's ambitious plan for satellite television, which is adding to uncertainties about the order outlook among space manufacturers.

With TDF-2 costing an Significantly, Germany too—for whom Eurosatellite is also build, the space companies building a TV satellite, TV-SAT — has also not decided on a setellite television, which is government — although still principle to the order outlook among space announced in principle to satellite plans — has not Showing the shift in satellite announced a firm contract priorities as Aerospatiale now primarily for economic reasons.

The main shareholders in works, are expected to grow Eurosatellite are Aerospatiale rapidly in coming years. For

the order outlook among space manufacturers.

A Franco-German company, Eurosatellite is already building the first French satellite for direct television broadcasting, TDF-1, ready to be launched in October 1985 on the Ariane launcher.

Satellite plans — has not announced a firm contract priorities as Aerospatiale now sees its collaboration with Ford Aerospace of the U.S. in building medium-sized telecommunications satellites as more important than that with Messerphotospace of the U.S. in building medium-sized telecommunications satellites as more important than that with Messerphotospace of the U.S. in building medium-sized telecommunications are incompany.

The delay is also linked to the Aerospace of the U.S. in building medium-sized telecommunications are incompany.

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A Eventual Provided the Project may be broken up unless the contract of the U.S. in building medium-sized telecommunications are incompany.

Germany's main satellite priority at the moment is the planned advanced Post Office satellite for telecommunications which a German consortium led which a German consortium led by Messerschmitt and Siemens had originally been expected to build. Matra, however, is also bidding for the contract, led to build in the contract claiming it can do the work

### **UK-Swiss** sign pact on trade standards

BRITAIN AND Switzerland yes-terday signed an agreement in principle to accept each other's certificates covering trade stan-

The aim of this agreement is to increase the volume of trade in "high technology products" by easing some of the technical standards required, especially by Switzerland. It would also hope to boost the volume of all trade between the two countries which has recently declined.

The agreement was reached during the visit of Lord Cockfield, the British minister of trade, the first since Sir (then Mr) John Nott in February 1980. Mr) John Nort in February 1900.
On the Swiss side, it was signed
by Mr Kurt Furgler, a Federal
Councillor (Cabinet minister)
and head of the Federal Department of Public Economy.

ties and extra expenses."

It acknowledged that a final agreement on the problems would have to be reached within the General Agreement on Tariff on Trade (GATT), the Geneva-based UN organisa tion which is responsible for the elimination of technical obstacles to trade. The agree-ment would also have to be made within the terms of the arrangement between the Euro-pean Community and the Euro-pean Free Trade Association (EFTA), of which Switzerland is a member.

Switzerland is Briain's 11th largest export market and fifth

### Bridget Bloom reports on restrictions facing Europe's defence industry

### Marconi falls foul of U.S. customs

A FEW WEEKS ago Marconi Avionics wanted to send a high technology product from the company's plant in Atlanta Georgia, to its head office in Rochester. Kent. The equipment had started life in the UK and had been exported to the U.S.—but before it could make its journey home again it fell foul of U.S. customs officials. A FEW WEEKS ago Marconi

In recent months they have been instructed to tighten controls on exports of high tech-nology to Europe as part of an overall effort to stem the flow the Soviet bloc.

The fate of MAv's product, which took six weeks to be liberated from the customs officers' clutches, is one of the more bizarre examples of how European companies can be affected by U.S. legislation and bureaucratic practice, charac terised recently by a British Minister as "rampant protectionism and restrictionism."

electrical goods) the Swiss market is important, but hampered by standards requirements which imposed "some difficulties and extra expenses."

The bult of European Jukes, for the U.S. sells on average seven or eight times as much to Europe as it buys from it. But in the last few months, the muted critisms have swelled to a chorus of complaints, from both companies and European Governments that the U.S. Congress and the Reagan Adminis-

Europe is becoming increasingly critical of what it condemns as U.S. pretectionism in the field of defence high technology. While—in theory at least—both parties subscribe to agreements of free trade, in practice the U.S. is thought to sell as much as eight times the amount of equipment to Europe as it buys from it. The U.S. justifies its trading restrictions in the grounds of security

on its own for 3 per cent of the tion he needs to fly his aircraft and aim its weapons, is one of the most successful European companies in the U.S. "more of these than the rest Mr Jack Pateman, its managing director, indulges only in the most measured criticism of the transatlantic relationship.

He believes, for example, that much of the legislation, like that to control technology, is sound but that bureaucrats down the line administer it insensitively.

But he notes that "if serious restrictions are put on the flow of technology between the allies it cannot but out up the cost of equipment and reduce the effec-tiveness of our defence."

The U.S. is MAv's single hig-gest export customer: around 50 gest export customer; around so per cent of the company's turnover is accounted for by exports, 30 per cent of which go to the U.S. The company is heavily dependent on military contracts—only about 10 per cent of its business is in the civil field.

MAy boasts it has supplied "more of these than the rest of the world's courbined production"—over 3,500 in all, with the 1,000th being delivered to General Dynamics for use in its F-16 fighter a year ago.

So far, it says U.S. sales of the system amount to some \$300m or short two-thirds of £300m or about two-thirds of total company exports to the U.S. over the last decade. Mr Pateman lists three keys to MA's success in the U.S. mar-

To start with, he says, "you have to be technically hetter and cheaper than the other gny"—though direct exports on that basis are possible only while a company remains small and poses no competition to U.S. companies.

 Once such competition exists, a manufacturing base in the U.S. is essential—MAV opened their plant at Atlanta, wholly owned, but alternating UK and U.S. nationals as company president, gress and the Reagan Administration are seriously in danger. Key exports to the U.S. nationals as company president, over the last three years, has included head up displays (it 21 years ago to help it through the courrent was one of these that was held its first major contract with up by customs), devices which up by customs, devices which up by customs), devices which up by customs, devices which up by customs), devices which up by customs), devices which up by customs), devices which up by customs, devices which up by customs are the transfer of the customs are the transfer o

 MAv believes it is vital for MAV helieves it is vital for success to get in very early on a ILS military project. This happened at the research and development stage with the head up display and subsequently with other key projects. In 1981, for example, the company won a development contract, worth only \$5m, for the design and development of prototype air data computers. The tesign and development of pro-totype air data computers. The aim is to equip the 27 variants of aircraft the U.S. Navy and Air Force operate with a maxi-mum of five highly interoper-able computers. Ultimate orders could be worth hundreds of miltions of dollars, the company believes.

Mr Pateman describes himself as an old-fashioned believer in competition which "sorts out in competition which "sorts out the men from the boys." He does not believe in joint ven-tures, will not license his pro-ducts for manufacture in the U.S. ("that creates competi-ters") though the company has recently signed agreements to manufacture U.S. high tech pro-ducts have ducts here.

He is sharply entitical of colla-borative defeace projects like the Tornado fighter bomber, in which MAv is involved, main-taining that they are usually three times as costly as they need be.

He is clearly delighted that MAY, at the sharp end of high technology in the UK and with substantially increased sales

SHIPPING REPORT

### Tanker brokers report sharp fall in activity

SPASMODIC TRADING character margin oil companies in the ment, but the Caribbean area terised the tanker charter margin oil took a part-cargo of ment, but the Caribbean area cominned to be a disappoint a ket last week, with activity convessel took a part-cargo of ment, with tanker owners find the siderably reduced compared 203,000 tonnes to Japan at ing it difficult to find suitable up with the previous week, when Worldscale 24, "the very work tanker bankers reported a bottom of the market," the steady increase in shipments of company said. crude oil, especially from the

At the same time, the latest trading reports show a pre-ponderance of vessels trading almost exclusively on a part-cargo basis. This was a "sur-prising feature of the market last week." according to Galbraith Wrightson Tankers.

Almost every tanker chartered "average" last week had traded "in another tanker's size range," and tankers trading as "full and complete vessels," were fast less active than in the previous week in the Mediterraneau. There was not much business

The only other interest in trading out of the Gulf was for smaller cargoes, with a 113,000 tonne vessel chartered to the east at Worldscale 43 and an ranean, chartered at World-scale 80.

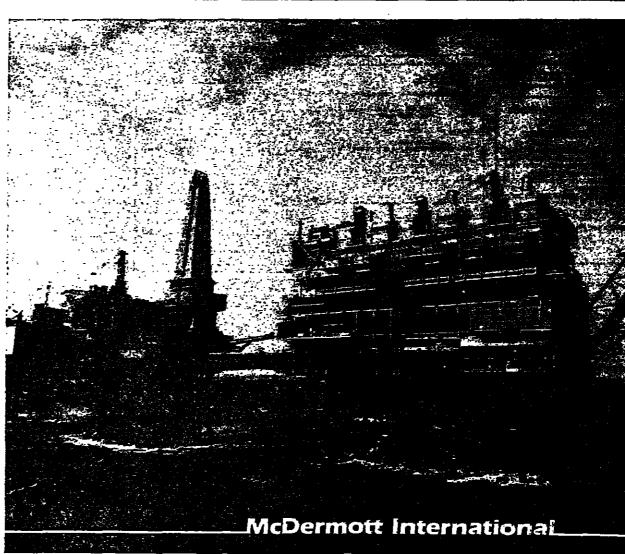
Almost every tabker chartered ast week had traded in eastern and western destina-

week. In the Mediterranean. trade showed some improve-

The UK continued to provide a "fair opportunity" for tanker owners, with wessels of up to 100,000 townes operating aust of the area.

### World Economic Indicators

POREIGN EXCHANGE RESERVES



**McDermott's** experience pays off during North Sea winters.

With an effort spanning three Norwegian winters, McDermott's North Sea Division managed the fabrication, installation, and hookup of a three-platform drilling and production complex for the Valhati

As the project neared completion, McDermott turned in a pace-setting performance: For the first time in the windswept North Sca, a major hook-up was completed comfortably ahead of schedule.

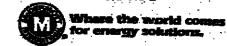
More than 20 million manhours onshore and one million offshore were scheduled via a transoceanic computer network that included a satellite link from the offshore site This was the first such computer application in North Sea marine construction. And to maintain Valhali's ambitious schedule, work offshore continued year-round. For more than 30 years,

McDermott engineers and techniclans have kept pace with the demand for better technologie Right now, using skill, semisubmer sibles, and satellites, McDermott's North Sea Division is mastering the northern frontiers of hydrocarbon development.

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dependability put your job on track. or more information contact: M. H. Lam, Vice President and General Manager, European & Marine Operations McDermott International, Inc. North Sea Division Avenue Henri Mattsse 16 B-1140 Brussels (Evere) Belgium Phone: 32-2-2438611 Cable: JARAMAC BEUSSELS Telex: 62831 — JRMAC B



### Battle for Mideast aircraft orders

BY MICHAEL DONNE IN PARIS

THE BATTLE between the European Airbus Industrie airliner-building group and Boeing of the U.S. for new customers worldwide is now being concentrated on the Middle East, where both Egyptair, the national airline of Egypt, and Middle East Airlines (MEA) of the Lebanon are in the market of the Lebanon are in the Le

Airbus is seeking an order the Airbus A-310 with for at least five A-310 twin- Lufthansa and Swissair — so engined short to medium range that comparable details of their aircraft, worth about \$200m performances are readily avail-

County Bank

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Deutsche Girozentrale - Deutsche Kommuna

the Lebanon are in the market service — the Boeing 767 with for new aircraft.

a number of U.S. airlines and u.S. airlin

Although the basic terms of a long-standing U.S. European agreement are 12 per cent interest with a maturity of 10 years, there are additional financial inducements

All of these bonds having been placed, this an-nouncement appears for purposes of record only.

### Renault Acceptance B.V. **Amsterdam**

DM 150.000.000

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Compagnie de Banque et d'Investissements, CBI Crédit Industriel et Commercia

L'Européenne de Banque Goldmann Sachs International Corp.

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e de la comp

### STATISTICS: CIVIL AVIATION

### Struggle continues for world airlines

AFTER a period of sustained high growth rates in the 1970s, traffic growth on the world's scheduled airlines slowed to a crawl in the 1980s an annual growth rate of 3 per cent in passenger kilo-metres performed (number per cent in passenger kilometres performed (number of passengers multiplied by distance travelled), with no growth in the actual number of passengers carried. This trend reflects the recession in the world economy during the past two years as well as high inflation rates in the 1979-81 period and fluctuating exchange rates.

These factors plus the long recent period of high interest rates—still historically high in real terms—are clearly shown in the financial operating results of the world's scheduled airlines.

According to ICAO, operational profits of \$3,000m in 1978 had turned into a loss of \$600m by 1981. Iata, whose members cover about 70 per cent of total

Commentary by Our Economics Staff: data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department

scheduled airline services, indicate a worsening position in 1982 and 1983, particularly after interest payments, luterest payments are an increasing burden and are expected to grow to nearly \$2,000m by 1984. These payments, plus the need to purchase replacements for obsolete aircraft, are a major concern to the airlines. The forecast upturn in growth of real GDP in the major industrialised countries in 1983-84, and the easing of inflationary pressures, are positive factors

aviation fuel prices in real terms since 1973 has resulted in fuel costs now represent-ing about 30 per cent of total operating expenses compared with about 10 per cent 10 years ago; this puts increas-ing emphasis on fuel economy

ring emphasis on fuel economy measures through more efficient design and selection of aircraft route revisions.

Load factors on international services continued to exceed the break-even level required in recent years; although the gap is closing, yields will need to be increased or costs reduced. On a unit cost basis there is now little difference between revenue and operating expenses. This is now an established industry where there is unlikely to be any dramatic technological break-through to increase productivity and/or reduce costs.

The North Atlantic route continues to dominate the

The North Atlantic route continues to dominate the scheduled services—27 per cent of lata operations—and with an increasing passenger load factor. However, figures for 1982 show a drop for the first time in the number of passengers carried, perhaps in part indicating a more marked slowing down of the rate of growth in established markets.

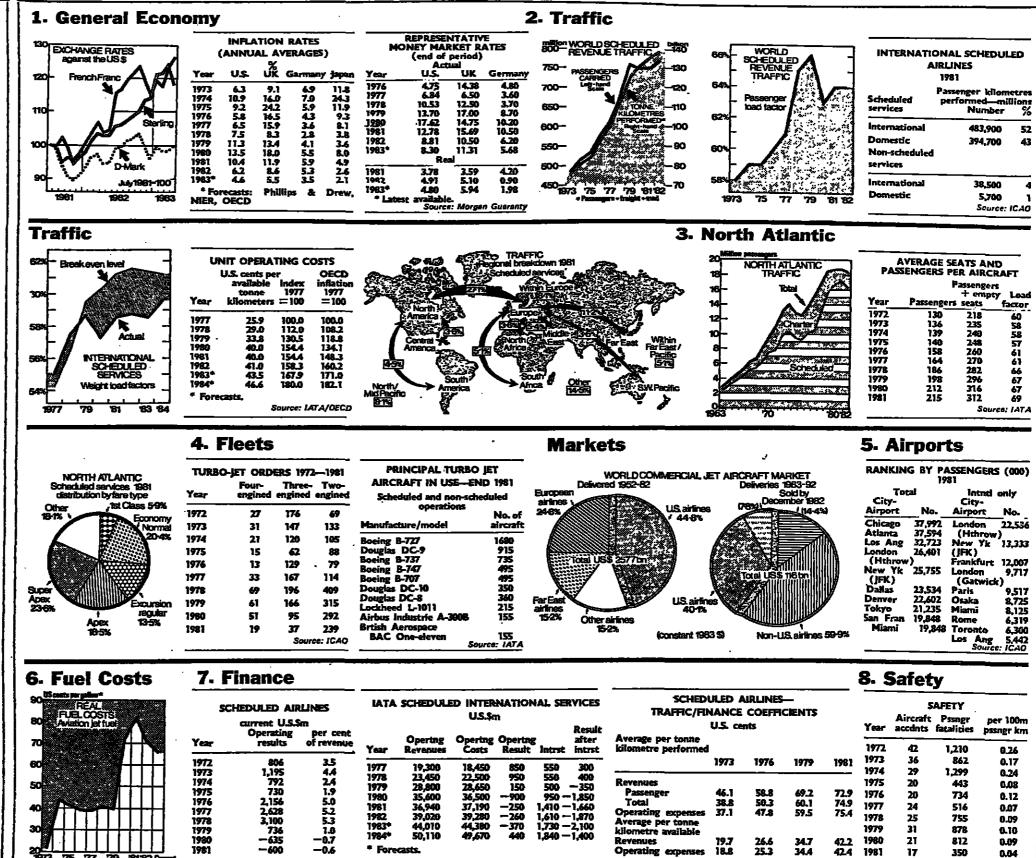
rate of growth in established markets.

Orders and deliveries of new aircraft paralleled the recessionary trend in traffic and the world economy; the forecast upturn in the world economy plus the need to replace ageing aircraft could be better news for manufacturers. Industry estimates put the need for investment in replacement for obsolete in replacement for obsolete aircraft at \$58bn up to 1995 with another \$109bn to meet forecast upturn in growth of real GDP in the major industrialised countries in 1983-84, and the easing of inflationary pressures, are positive factors although interest rates still continue to edge down slowly.

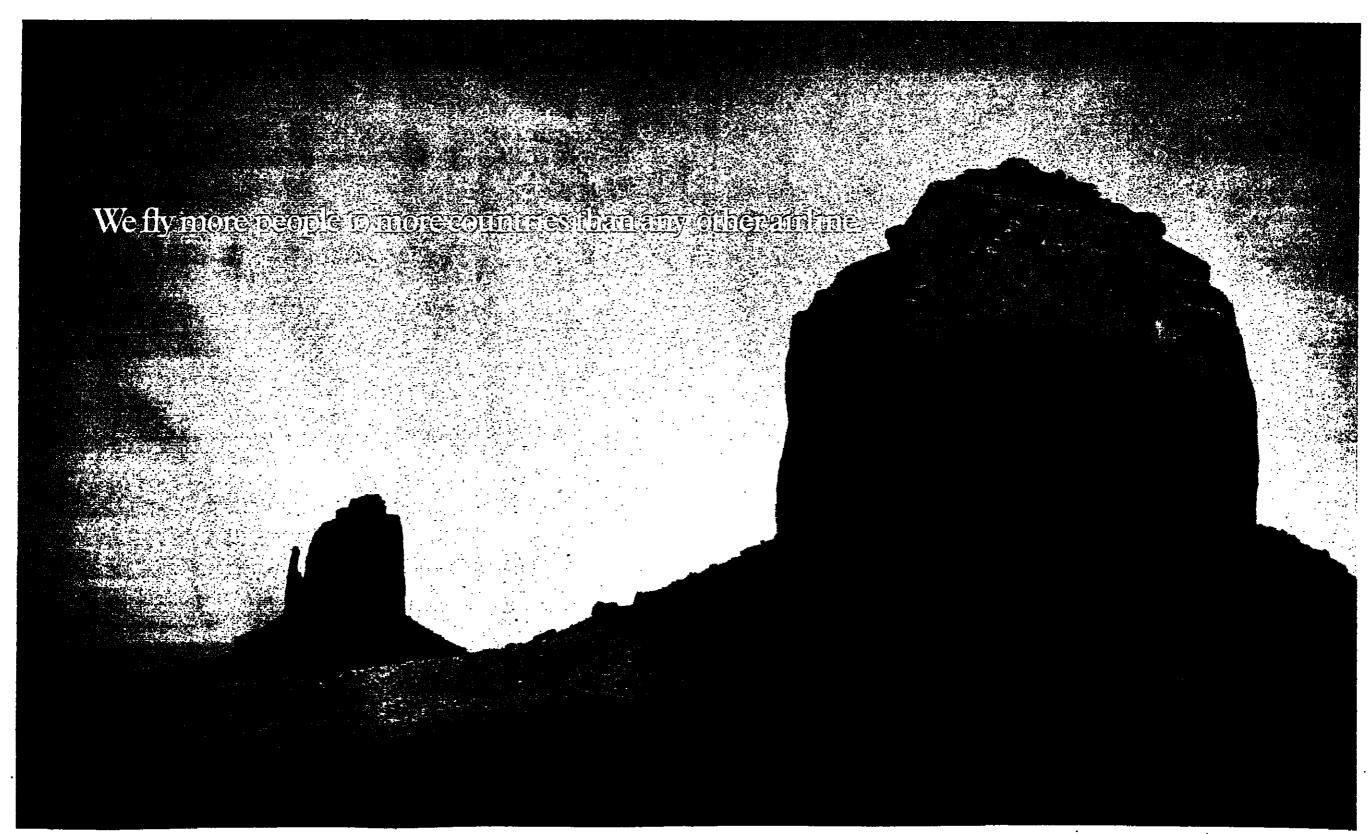
The substantial increase in with another Sluson to meet anticipated growth.

Among the international airports, London Heathrow continues to handle nearly twice as much traffic as any other international airport, followed by John F. Kennedy in New York.

Year	World	per cent chang U.S.	e Europe	Japan
1975 .	0.4	-1.2	<del>-</del> 1.0	2.5
1976	5.4	5.4	4.7	5.3
1977	4.4	5.5	24	5.3
1978	4.4	4.7	3.2	5.7
1 <del>979</del>	3.7	2.8	3.4	5.2
1980	1.6	-0.4	1.3	4.2
1981	1.3	1.9	-0.5	3.0
1982	<u>-0.3</u>	-1.3	0.5	2.8
1983-87	3.1	3.4	2.5	3.0
(annual rati	•)	Source: Of	ECD, Phillips & Dre	w, Wharton



Source: IATA



The world's favourite airline. British airways

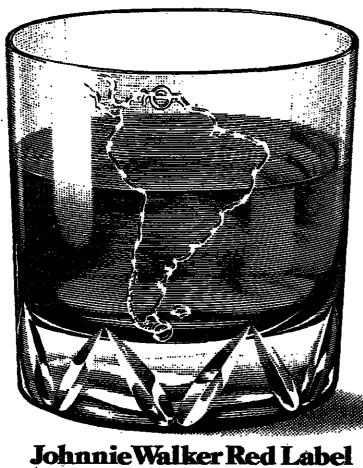
1981

Source: ICAO

0.04

Source: ICAO

### From Carácas To Cape Horn.



THE CLASSIC SCOTCH WHISKY, ANYWHERE.

OUR NATIONS are united in their freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to pre-serve, sustain and extend these shared values that our prosperity is

summit at Williamsburg:

important. The recession has put our societies through a severe test, but they have proved resilient. The signifi-cant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialised democracies continue to face the kets in instances where it is agreed challenge of ensuring that the recovery materialises and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on ceeds, to reverse it by disn achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in

We recognise that we must act together and that we must pursue a for Economic Co-operation and De-balanced set of policies that take in-velopment (OECD), including trade to account and exploit relationships in the services and in high technolobetween growth, trade, and finance, in order that recovery may spread to all countries, developed and dework to advance further trade lib-

Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher investment and, greater employment opportunities, particulary among the young.

The consultation process initiated

at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates. We agree to pursue closer consultations on policies affecting ex-

change markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake co-ordinated intervention in exchange marthat such intervention would be • We commit ourselves to halt pro-

 We commit outserve tectionism and, as recovery protectionism and, as recovery protectionism and the reverse it by dismantling trade barriers. We intend to monitor this commitment. We shall give We will actively pursue the curparticular, by limiting the growth of rent work programmes in the Gen-

Trade (GATT) and the Organisation

The following is the full veloping alike. In pursuance of these objectives we have agreed as text of the seven-nation follows:

veloping alike. In pursuance of these objectives we have agreed as follows:

eralisation negotiations in the Gatt ing sound economic growth white with particular emphasis on excepting our markets open is crupanding trade with and among decial. Special attention will be given veloping countries. We have agreed to the flow of resources - in particuto continue consultations on propos-als for a new negotiating round in

the Gatt • We view with great concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debter nations; adequate private and official financing more open markets, and worldwide economic

We will seek early ratification of the increase in resources for the international Monetary Fund and the General Arrangements to Borrow. We encourage closer co-operation and timely sharing of information among the countries and among the international institutions, in particular between the International Monetary Fund, the International Bank for Reconstruction and Development (IBRD) and the Gatt.

• We have invited ministers of fi-

nance, in consultation with the maaging director of the IMF, to define the conditions for improving and to consider the part which might in due course, be played in this process by a high level international monetary conference. • The weight of the recession has

fallen very heavily on developing countries and we are deeply concerned about their recovery. Restor-

lar official development assistance and energy production, both bilaterally and through appropriate inter-

national institutions. We reaffirm our commitments to provide agreed funding levels for the international development agency. We welcome the openness to dia-

logue with the industrialised counences of the non-aligned movement in New Delhi and the group of 77 in Buenos Aires, and we share that commitment to engage with understanding and co-operation in the forthcoming meetings of the UN conference on trade and development in Belgrade.

growth and employment which was set up at Versailles last year, and commend the progress made in the 18 co-operative projects discussed in that report

We will follow the implementa-tion and co-ordination of work in these projects and look forward to next meeting.

• We all share the view that more

Text of Williamsburg declaration portance and urgency of efforts to conserve energy, to develop economic alternative energy sources to maintain and where possible improve contacts between oil exposting and oil-importing countries, and to encourage the growth of indigenous energy production, in devel

should be compatible with our a tries evinced at the recent confer- curity interests. We take now with approval of the work of the multila teral organisations which have in recent months analysed and draws conclusions regarding the key aspects of East-West economic relations. We encourage continui work by these organisations, as an propriate.

■ We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in the report of the working group on technology, comment and control of the working group on technology.

Our discussions here at William burg give us new confidence in the strengthened our resolve to deal toobesetively with continuing budy lems so as to promote a soul sustainable recovery, bringing new jobs and a better life for the peoples receiving a further report at our of our own countries and of the

We have agreed to meet a predictability and less volatility in next year and have accepted the oil prices would be helpful to world British Prime Minister's invitation to meet in the United Kingdom.

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# JULY 18 1983

### Indonesian spending cutback threatens hydro contracts

BY RICHARD COWPER IN JAKARTA

£110m to Balfour Beatty and Boving are threatened by the Indonesian Government's latest moves to cut expenditure because of reduced

Dr Subroto, Minister of Mines and Energy, told a parliamentary committee last week that the Mirca hydroelectric scheme in central Java was among projects worth \$10bn which would be "scaled down, de-layed, or continued with as minimum commercial funding as possi-

He gave no details on how projects might be rescheduled.

A little more than a year ago Balfour Beatty was awarded a contract worth more than £80m for the civil engineering work, and Boving one of £31.5m for the supply and instal-lation of turbines, water penstocks and gates. Also participating in the project valued at about \$350m (nearly £220m) overall are the Swedish concerns Skanska and

yesterday that his company had yet to be informed, officially or unoffi-tricity transmission schemes costcially, of the Indonesian Govern- ing almost \$500m.

CONTRACTS worth more than ment's intentions. Lengthy delays would, without doubt, increase the cost to Indonesia considerably. Construction work has been un-

der way for the past six months. Economists and planners familiar with the project say that the announcement could result in serious complications for the companies in-There seems little liklihood that

the British and Swedish Governments will be able to grant soft loans of sufficient magnitude to allow the project to go ahead as schedule Most of the British finance for

clays International with backing from the Export Credits Guarantee Department and the Overseas Development Authority.

Others projects which Dr Subroto revealed would be affected by the cuts are a \$700m power station at Surlaya in West Java, with its capacity to be halved; a \$100m coal

Many major power projects for which contracts had yet to be awarded would be postponed indefi-

The Government has also shelved the construction of 10 new sugar mills according to a separate announcement by Mr Subartoyo, chairman of the Capital Investment Co-ordination Board. They were to have involved public expenditure of

for the private sector to underta but there seems little chance that they will go ahead now. A number the project was arranged by Bar- of Japanese companies had been singled out as contractors.

Indonesia is seeking 52bn in for-eign aid to help finance a current account deficit projected at \$6.5bn for the current financial year ending next March.

other \$5bn worth of projects, in ad-Asea.

Mr Keith Palmer, Balfour Beat
Sumatra which is to be scaled down value already cut, follows President ago that all projects requiring commercial credits or foreign exchange



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NEW ISSUE. All of these securities having been subscribed, this announcement appears as a matter of record only May 1983 These securities have not been registered for offer or sale in the United States.

BY PETER RIDDELL, POLITICAL EDITOR

ly improved its already strong posi-tion since the general election cam-paign started. Labour has started to slip back in the past few days and there are tentative signs of a pickup in the rating of the SDP/Liberal

These are the main conclusions from the accompanying table list-ing the 12 nationwide polls published in the week to Sunday.

Many of the fluctuations in the figures are due to randóm statistical variations in the samples of this size but some trends are clear. The Conservatives have maintained an unprecedentedly large. lead with only minor variations, inthe past three weeks. If anything,

the gap has increased marginally as. four out of the six main polling organisations report a rise in the Tory share of the vote in the past week to 10 days.

The fractional improvement in Labour's position in the week to

May 21 has now been reversed. Five out of the six main polling groups show a fall in Labour's rating in their latest surveys, the exception being a poll taken before the row over the party's nuclear weapons policy.

A slight pick-up in the position of

the Alliance is suggested by the polls published at the weekend, but the rise is well within the statistical margin of error and it does not yet

These conclusions were underlined in a Harris Research poll of 44 key marginal seats for the Weekend World television programme. This survey, undertaken between May 25 and 27 gave the Tories a lead of six points, up from two points a week earlier. This equivalent to a 13 point lead nationally.

A separate Harris survey of more than 800 people in 20 seats where the Liberals came first or second at



the last election (all now being contested by Liberals) shows a clear improvement in the Alliance position - up to 36 per cent compared with 28 per cent in a similar survey

Over the period the Tory sha fell from 48 to 43 per cent, with the Labour rating down from 24 to 20

Apart from voting intentions, the latest polls also suggest that Labour is losing in voter preferences on the key issues, notably defence and in-

Poli and date	Semple stze	Cons	طما (	AIII- ance per cen	Others (t)	Con
General Election May 3, 1979		45	38	14(Llb)	3	7
Range of 11 taken May 11/20		44/49	30/37	16/22	0/3	7/18
Gailup (Telegraph) May 20/23 MORI (Star)	1,700	48	33	· 18	1	15
May 23	1,068	<b>51</b> _	33	15	1	18
Audionce Selection (TV-AM) May 23	) 1,071	45	32	20 `	3	13
NOP (Mail) May 23/24 Audience Selection (Sun)	1,104	<b>52</b>	33	14	1	19
aggience selection (still) May 24 Marpien (Guardian)	557	45	32	21	2	13
May 23/25	1,422	47.5	32.5	19	. 1	15
Harris Research (TV-Eye) Kay 24/25 HORI (Express)	1,034	48	33	18	<b>5</b>	15
Hey 26 Hey 26 HOR! penci (Sunday Times)	1-1	· 51· ··	- 29	18 .	2	22
Hay 24/25	1,023	46	30	23	1	16
Sellup (Telegraph) May 24/26	2,015	49	31.5	18	1.5	17.5
larris Research (Observer) Ley 26/27	1,029	47	30	21	2	.17
larpion (Sunday Mirror) lay	1,325	49.5	31	19	6.5	18.5

### Uncertain allegiance of young jobless

Comos B Share

Salar Holanger

either be unemployed on June 9, or will already have had some experi-ence of unemployment. If unem-ployment is, understandably, a cen-tral issue in this election it should be even more of one among the young - 1.3m people under 25 are currently registered as unemploy-

A National Opinion Poll of more than 1,900 first time voters commis-sioned by the BBC this week, con-firmed the central significance of unemployment - 79 per cent identified it as the most important issue. For many it was a matter of

YOUNG PEOPLE eligible to vote of unemployed young people and 37 for the first time are credited with per cent who had been unemployed In spite of young people's concern about unemployment, the poll did not provide evidence that too many of them hold the present Communication.

A majority said that they intended to vote Conservative - in contrast with a poll of the young unemployed in the Economist Intelligence Unit's "Coping With Unem-ployment" survey last year, which gave Labour the greatest support.

What is far less certain is how many of the young unemployed will vote at all. Ken Roberts, in the sociology department of Liverpool University, who investigated the attitudes of unemployed 18-20 year olds in 1980-81, commented this week: "Eighty per cent said they would not vote and were quite vociferous in saying that they had no The sample included 23 per cent

### Tories reopen attack on 'dangerous Alliance'

MR CECIL PARKINSON, the Conservative Party chairman, reopened his party's attack on the SDP-Liberal Alliance at the weekend, calling it a "dangerous diversion" that might lead to a Labour victory.

Referring to the Alliance summit meeting at the weekend Mr Parkinson said at yesterday's Conserva-tive press conference: "It was staged for your benefit and there is very little significance to it except that it got them a lot of publicity." Mr Parkinson said the Labour Party remained "far and away" the greatest threat to the Tories in the election, and complained that the Liberal Party, "which is what the Alliance is rapidly becoming," had helped Labour in every election.

Mr Nigel Lawson was pressed to elaborate on the Conservatives commitment to increase competition in, and attract private capital to, the gas and electricity indus-

He distinguished between the public utility parts of these indus-ries – the transmission and distri-bution of electricity and gas – and the other parts, indicating that privatisation of the utility parts would be 'very complicated."

The Government would have to set up a full-scale regulatory system because it was not in favour of private monopolies that would exploit

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### Jenkin casts doubt on deal between BSC and U.S. Steel

MR PATRICK JENKIN, the UK Industry Secretary, has expressed doubts that a satisfactory deal can be concluded under which the British Steel Corporation (BSC) would supply crude steel to the U.S. Steel Corporation on a long-term basis.

In an interview after yesterday's Conservative press conference, Mr Jenkin said he favoured in principle the internationalisation of the steel industry in ways such as the pro-posed deal, rather than have many countries protect their own steel-

But the British Government had een taken aback by the suggestion that BSC would have to make a very large initial investment in its deal with U.S. Steel. There have been reports that this might be as large as £100m.

"That would be very difficult for the British Government," Mr Jenkin said. "And why can't the Americans make a balancing investment

eries of British steel under the pro-

posed arrangement might fall foul of U.S. Government regulations. "It's all very well to get assurances from the present Administra-tion, but we would want something very strong indeed for the longer

If the deal goes ahead, it would probably mean that all the steel produced at Ravenscraig would go to the U.S. and the plant's big strip and plate mills, employing some 1,200 people, would have to be

But Mr Jenkin was not yet prepared to face this consequence. That is another question, and we would have to look at it very carefully. Ravenscraig is doing extremely well now," he said. Mr Jenkin said that regardless of

the outcome of negotiations with U.S. Steel, steelmaking at Raventhe Government's policy statement last December. Negotiations between BSC and

U.S. Šteel have been under way for some months. The idea is to phase



Jenkin: seeking a long-term assurance

Steel's Fairless works near Philadelphia and use up to 3m tonnes per year of British steel in its finishing mills, which would be modernised. Trade unions in both the U.S. and

craig would continue, in line with Britain have been opposing the plan vigorously because of the job losses involved. But steelmakers from several other countries are competing with BSC for the opportunity to supply Fairless. A decision out crude steel-making at U.S. is expected by the end of June.

John Hunt sits in at a Transport House ritual

### Angling after Williamsburg

paign took a plunge into the theatre of the absurd at the ritual Transport House press conference in

Journalists had expected some heavyweight statement to be made on the Williamsburg summit, but Mr Michael Foot, the Labour leader, dismissed the affair in a few

The star turn, however, was Mr Denis Howell, one of Labour's environment spokesmen who made his name a few years ago when a prolonged drought came to an end a ew days after he was appointed Minister for Water Resources.

Now, the old rainmaker seemed more intent on winning workingclass votes by promising that La-bour would bring the final games of the World Cup back to Britain.

A suspicious German reporter wanted to know if this was a solemn and binding undertaking. Immediately, Mr Howell took re-fuge in a rather vague formula which seemed to involve grants to improve facilities for UK football

But it was the subject of angling which brought out his greatest his-trionic talents with a question-and-answer dialogue which seemed wor-

thy of Harold Pinter In its unpredictable fashion the Labour Party had planned a second press conference two hours later and reporters were told that Mr Dennis Healey, the deputy leader, would give his costing of the Tories'

When journalists reassembled, however, there had been yet another switch. After complaints about the triviality of questions and replies there had been a meeting of the campaign committee and the theme was now to be the Williams-

A behind-the-scenes coup seemed to have taken place and Mr Healey was now playing David Steel to Mr Foot's Roy Jenkins. Footie had been removed to the left of the stage with Mr Healey firmly in the centre. The entire campaign committee trooped

on.
Why was Labour prepared to help angling when it wanted to abolish fox hunting?

clean and admitted that it was because of all the votes of the working-class and of those who line the banks of rivers and canals at the weekend. Instead, he replied that angling was not cruel, but was a

recreational sport.
Was he suggesting that a hook was not painful to the mouth of the

Perhaps he saw a distinction between fishing for pleasure and fish-ing for food? Reply: "I don't think so - at least, not for the fish.

Leaving these confusing scene behind us reporters went over to Conversative Central Office to watch a quieter performance under Mr Cecil Parkinson, party chairman, who was in control in the absence of Maggie.

Lined up were three ministers who have been tipped as future Chancellors - Mr Nigel Lawson, Energy Secretary, Mr Patrick Jenkin, Industry Secretary, and Mr Leon Brittan, Chief Secretary to the Treasury. Mention of the race for the top Treasury job brought coy smiles and oblique disclaimers.



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point in time.

tion you present at a particular

"It is quite a challenge to use our

skills in an area which has been in-

nored in the past."
Mr Julian Wellesley, chairman of

Charles Barker, an important advertising and public-relations agency specialising in financial accounts, doubted if this was a field

for the consumer agency.

This is a very specialised activi-

ty. Very few people have the andar-standing to give the service needed

by companies in this position. Be-cause the timescale of a takeour bid is so short, it is important to get

out your message in a short space of time. The gun has to be loaded and fired at short notice."

welcome attentions of two IIS businessmen, Mr Stephen Swid and Mr Marshall Cogan. The Americans offer was referred to the Mo-

nopolies and Mergers Commission by Lord Cockfield, Trade Secretary, against the advice of the Office of Fair Trading, after an intensive lob-

ar ir

**6**2 -



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**NEW ISSUE** 

May 1983



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#### Advertising campaigns are nothforced the companies involved to turn increasingly to the advertising agency and the professional lobby-ist to back their traditional edvisers ing new but the close involvement of Saatchi and Saatchi in the Tramarket oil falgar Flouse campaign for the hearts and minds of P&O's shareholders is an innovation. Saatchi is

THE British National Oil Corpora tion (BNOC) is understood to be close to concluding term-contract for the bulk of the North Sea of which for nearly four months it has been forced to dispose of on the

**UK** close

to deals

on spot

About 120,000 barrels a day, or nearly one sixth of the oil which it markets after selling back partici-pation crude to producers, has been nvolved in transactions resulting

These losses have been reduced since the gap between official selling prices and spot market rates closed significantly lest month after the Organisation of Petroleum Exporting Countries' pricing and production part

compares with one of £1.9m achieved in the last five months of 1982 after its former exploration and production interests were and production interests were hived off to form the privatises

spot market on a substantial scale after Gull Oil decided not to renew its contract for more than 190,000 h/d at the end of January.

#### Warning on drop in manufacturing

STANDARDS of living in the UK are threatened by a continuing de-cline in manufacturing industry, the London Chamber of Commence and Industry warns today.

The chamber says in a paper ox-amining the de-industrialisation process that improvements in the Irish Sea.
Ireland, like the UK, was awarded in 1977 the right to run five satellite channels, and the Irish

have an adverse impact on stan-dards of living in Britain which the operation of market forces is un-likely to correct."

### Mail order threat

A SLIRVEY by the Ceramic and Ala Sunver by the Ceramic and Ar-lied Trades Union at Stoke-on-Trent has revealed that shopfloor workers in the pottery industry-have been almost halved in the past

Mr Alf Clowes, the union's leader, said: "It leaves us with an industry whose size is only 55 per cent of its position in 1978. All Western countries are battling against Far East imports in the ceramic field."

### Thirst quenched

EUROPE's thirst for fruit juice is fi-

pected to maintain the double-digit growth rates of the 1970s.

cial property markets has been overdone, said one of the country's top investment managers. Mr Peter Simon, investment director of the Legal and General Group, in a paper, "A perspective on property markets," said much of the gloom was based on superficial analysis and insufficient evidence.

### Policy crisis

UK regional policy is in a state of crisis and only a wide restructuring of it will produce the sort of approach necessary for the regions to e regenerated over the next 10 to 15 years. This is the view of two Cambridge dons in two papers forming part of the current Region-al Studies Association's review of regional policy.

### New air link

A SCHEDULED airline service started yesterday, between Dublin and the East Midlands airport near Derby, operated by the Irish Indeendent airline, Avair.

## Tough takeover bid battles

best known for its political and con-

sumer-oriented advertising and has previously had little involvement in

the financial field. This has tradi-

tionally been the preserve of specialised City-based public rela-tions and advertising agencies.

Mr Eric Parker, managing director of Trafalgar House, said: "Sa-

atchi were working on the cham-

pagne glass' campaign for our Cu-nard subsidiary, showing their

trend and we have found ourselves

being asked to advise more often.
"Our ability is to take the main
point of an argument and present it
in a dramatic and appealing way.
We advised Trafalgar House on the
presentation of their press release

BY CHARLES BATCHELOR

THE multi-million pound takeover the professional advertising agen-bids which have rocked the City of cy. London in recent months have - the merchant banks.

press as both sides attempt to woo

The successful 1230m bid from Hanson Trust, another industrial conglomerate, for the UDS retailing group was also aided by the skills of

set up rival

THE BBC could be facing competi-tion on satellite broadcasting from

an unexpected quarter - across the

are now considering whether to go ahead with a direct broadcast satel-

lite operation which would inevi-

An inter-departmental committee set up under the Irish Ministry of Posts and Telegraphs is due to re-

port in two months' time. The committee will come under pressure from Irish broadcasters to recom-

mend that Ireland should push ahead with its own satellite opera-

If the Irish Government ap-proves, Ireland could have one

channel, or possibly two, in service by 1987-88. The BBC is due to begin

satellite broadcasting in September

The Irish have the right to use a satellite in the same orbital position

- 31 degrees west - as the Unisat satellite due to carry the two BBC channels. From the position Irish

channels could be beamed all over

mr George waters, anector-general of Radio Telefis Eireann (RTE), the Irish broadcasting cor-

poration, said he could not specu-

RTE had made it clear, however, that it wanted to run a satellite op-eration, and Mr Waters said hardly

a week passed without some offer of a joint venture coming from eith-

er the U.S. or Britain. Clearly, RTE

late on the outcome.

tably cover all the UK.

Irish may

satellite.

By Raymond Snoddy

the Tilling shareholders.

An executive with one of the City's financial press relations groups commented: Takeovers are getting bigger and bigger. More and more money is being spent as it becomes ever more crucial to get every shareholder's vote. Companies are saying, We must advertise and to hell with the expense. When the sums were smaller they were not prepared to do it."

The £290m bid from Trafalgar House for P & O is in its early stages but P & O's rejection of the offer as "derisory" suggests a long and bitter battle is ahead. The £660m bid from industrial conglomerate BTR for fellow indus-trial holding group Thomas Tilling is now being fought out in the ad-vertising columns of the national

BNOC has been charged by the Government with making a pre-tax trade profit of £10m in 1983. That

ompany Britoil. BNOC was forced to resort to the

service sector are unlikely to make up the shortfall in comployment or overseas carnings resulting from a decline in manufacturing.

It would appear, concludes the paper, that while the process of de-industrialisation may well slow down through the 1980s, "it will still

Order Corporation (8MOC) to pre-sort its own parcels from next year could lead to big losses in the Post Office, according to the Union of Communication Workers (UCW). The corporation is one of the Post Office's biggest parcels customers. A statement that went before a priyesterday estimated that 600 jobs might be lost in sorting offices if the plan went shead. BMOC already pre-sorts some of its business and other mail order companies pre-sort all their business but the UCW claims that BMOC's decision is likely to be followed by other com-panies and the total job loss might be as high as 1,506.

Pottery sector hit

live years to 27,500.

nally coming under control after consumption doubled to 3.4hn litres in the decade to 1982, it was sug-gested at a seminar organised by Canadean, the London business re-

search organisation.

A survey of the European fruit inice market showed that although likely to grow considerably faster than most other soft-drink categoties, sales of fruit place were not expense.

### **Property optimism**

THE GLOOM in Britain's comme

#### and fired at short notice. Some companies are finding that political lobbying can help thelp case. Sotheby's called in the professional lobbying skills of GJW Government Relations to devastating ships affect in a champagne glass. I suggested they might like to look at this acquisition. We wanted a docu-ment that was fairly easy to read." Mr John Spratling, deputy man-aging director of Seatchi, said: "Ad-vertising in hid battles is a growing effect in its defence against the un

and to some extent on the contents.

You have to choose what informa-

THE STOCK EXCHANGE Council more than 200 stockbroking mean has told stockbrokers that the shares of companies coming to the Unlisted Securities Market (USM) should be placed as widely as possi-ble with the investing public and not kept "in-house" for their own

The placing of new USM stocks should not be used to provide profits for stockbrokers, their employees, families or organisations such as pension funds from which they stock Exchange has meant that only a limited number of shares are would benefit, the council said in a ly a limited number of shares are letter to the senior partners of the available anyway.

Unlisted shares plea

BY CHARLES BATCHELOR

ber firms.

There has been growing concern within the council that investors were not getting a fair share of the

stocks of companies coming to the USM, which was formed two and ahalf years ago. The requirement that co

### A FINANCIAL TIMES SURVEY

JUNE 23 The Financial Times is proposing to publish a Survey on Gold in its issue of 23rd June to coincide with the Financial Times World Gold Conference -The outlook for Gold and Silver. The provisional

editorial synopsis is set out below. Introduction The Gold market prospects for Gold price movements in the

year ahead, etc. Gold in the World Coins

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**COMPANY** 

### **UK NEWS**

### Strike threat overhangs Ford efficiency talks

BY BRIAN GROOM, LABOUR STAFF

FORD and its unions are still searching for agreement on more than 20 per cent of the proposed ef-ficiency measures that have pro-voked the threat of a new strike at the Halewood body plant, on Mer-seyside, according to union leaders.

These have been identified in three visits to the plant by a joint working party, and will be discussed tomorrow at a meeting in London of the full national negotiating committee for manual workers. Both sides are keen to settle the dispute peacefully, but in the background hes a vote, taken three months ago by the 4,000 body plant

es plea

and the owner

(michz) ्रामान्यं

15.14

workers, to strike if Ford imposes the disputed changes.
Ford is demanding more flexibili-Ford is demanding more flexibility in an effort to close the productivity gap with Halewood's sister plant at Saarlouis, West Germany. The changes are part of a programme of 1,300 voluntary redundancies among the 9,700 Halewood body and assembly workers.

**FT Grocery** 

**Price Index** 

up in May

They include, for example, reproduction by up to 15 minutes.

Ford denies that the changes breach demarcations between skilled and semi-skilled workers They want to negotiate a price for

Mr Ron Todd, the unions' chief negotiator, said: "If we failed to get agreement, and the company tried to impose these changes, then we would be back in the position where the Halewood lads said we would be. But hopefully we will be able to make our way through the prob-

The strike threat was made at a ouiring the worker at the end of a body panel press line to move a palbody panel press line to move a palbody plant workers while they were let full of completed panels to one side and push an empty one into page at the adjacent assembly place, rather than summoning a plant, over the dismissal of Mr Paul material-handler, which can delay kelly, a production worker, for all production by up to 15 minutes.

Ford claims that last week's inquiry report into the Kelly affair disproved allegations by shop stewand are paid for under existing effi- ards that the dispute was ciency agreements. But unions say engineered by the company to soft-some changes cut across the nation-al job-evaluated wage structure. The inquiry said sacking was the

wrong punishment for Mr Kelly, but implicitly backed the company's case that he had deliberately bent an 86p bracket on an Escort car. ● The high-performance XR4i version of Ford's Sierra is to go on sale in the UK on June 7, John Griffiths

It will cost £9,170, including all

### 'Vigorous' economic recovery forecast

BY JEREMY STONE

By Our Consumer Affairs ford as "vigorous and rumbustious" A RISE in the price of fresh produce caused by the wet weather during the past month led to a significant increase in the Financial Times Grocery Price Index for May. The index for May stood at 151.57, compared with 150.25 in tion - under a new Conservative ad- 1.9m ministration - would average less than 2 per cent in 1984.

The fresh fruit and vegetable section of the shopping basket rose in cost from £330.28 in April to £344.42 in May. This clearly reflects the problems caused by the continued rainfall in recent weeks.

Apart from the rise in the fresh produce sector of the basket, other sectors showed little change from iast month's prices. The index is meant only as a

guide to trends in food prices and

should not be taken as an absolute indicator of price levels. The grocery price index is com-piled from data supplied by 25 shoppers who monitor the same 100 grocery items every month in a last year of the forecast. The ex-

THE UK economic recovery is de-

there will need to be firm evidence reviving. He writes that the Conthat money supply growth should Thatcher, come down to between 2 and 5 per The for cent while public borrowing falls to less than 1 per cent of gross domestic product (GDP).

flation declines to 0.9 per cent in the range of stores. These range from change rate steadily appreciates, large superstores down to small village grocers throughout the UK. change rate steadily appreciates, reaching 95 per cent of its 1975 value by 1986.

scribed by Professor Patrick Minforcast predicts that inflation ford as "vigorous and rumbustious" peaks at 17 per cent in 1984, while in today's issue of the Liverpool sterling is rapidly devalued, reach-University economic bulletin. The Liverpool forecast is for a 3 per cent 1986. Because of this devaluation, growth in output this year, rising to nearly 5 per cent in 1984, while in flation in the Conservative case, to

The Liverpool forecast, remarkably, does not even predict that La-Professor Minford warns that bour's reflation would produce faster growth in its earlier years. Inof a restraining monetary and fiscal deed, financial crises are considframework to stop inflation from ered likely to drive interest rates so high by 1984 that real growth is servatives overriding objective of choked back to only two-thirds of reducing inflation to zero implies the rate projected under Mrs

The forecast also examines the possible effect of a centrist coalition, linking the Liberal-Social Democrat Alliance with the Con-Under the Conservative case as- servatives. Under this outlook resumptions GDP should grow about covery continues at much the same 3.6 per cent a year until 1986, while pace as under the Conservatives, unemployment falls to 2.2m and innext four years up from 2.3 to 5.6

Quarterly Economic Bulletin, Liverpool Research Group in Macroeconomics, University of Liverpool, (051) 709 6022.

### **Banking faces '10%** jobs cut by 1990'

By Our Labour Staff

UNION FEARS that new technolo gy will reduce employment in bank-ing have been fuelled by a study which says that up to 10 per cent of existing bank jobs in Europe may be lost by 1990.

An interim report submitted to the European Commission by Pro-fessor Emile Kirchner, of Essex University, concludes that 1982 was probably the year of peak employ-ment. His findings are reported in the latest edition of Retail Banker

Prof Kirchner interviewed execu-tives from more than 100 banks, as well as trade unionists. He believes secretarial and clerical jobs will be most affected by new technology, though all will be affected to some

However, the report says that electronic payment at supermarket checkouts and home banking are unlikely to have much impact be fore the 1990s.

Fiet, the Geneva-based privatesector white-collar unions' international body has already said that up to 250,000 European bank jobs -10 per cent of the total - could be lost over the next decade because of new technology.

 A leading international trade union leader has said that workers have no reason for viewing robots

Mr Herman Rebhan, general secretary of the International Metalworkers Federation (IMF) – with 165 affiliates totalling 14m members – has said: "In many cases robots take over work that is physically dangerous or boring. Struggling with the fumes and fire of a welding torch in a confined space is more punishment than pleasure and if a robot can take over such a task we should not complain.

Mr Rebhan's views, published in special publication, "Decade of Robotics," are important because of the influence they will have on the IMF's affiliates, and because he expresses a view common among many leading trade unionists though rarely publicly expressed.

He is careful, however, to stress the desire by the metalworking unions for joint consultation and, where possible, joint control over the introduction of robots in plants.

### Teksid. Metalworking technology. At the service of the world's automakers.

Teksid is a leader The challenge posed by worldwide competitiveness makes it essential to choose exactly the right thing at the right time. Teksid has therefore concentreated its efforts on metal components for the transportation industry. It holds a position of the first rank, thanks to its aluminium foundry, its iron foundry, pressing and nuts and bolts opera-tions, and has asserted itself as a leading firm in terms of size, number of plants, and technology.

Teksid stands for technology in

metalworking
The part played by research in the metalworking sector is essential. Through its over 60 years' experience in the production of metal components, Teksid has acquired the knowledge clearly apparent in some of its most sophisticated products, such as permanent-mould aluminium

castings of complex design, its in-mould process for the fabrication of nodular iron castings, and its use of cold extrusion for the manufacture of steel parts with superior mechanical and geometrical characteristics.

Teksid stands for technology throughout the world

Teksid supplies its products (cylinder heads, manifolds, gearboxes, aircraft final drive housings, engine shafts and blocks, con rods, sleeves, struts for suspensions, constant-velocity joints, gearshafts, nuts and bolts, etc.) to prestigious manufacturers all over the world: Aeritalia, Agusta, Alfa Romeo, Boeing, Chrysler, Citroën, Cummins, Fiat, Ford US.4, Ford UK, General Motors France, Getrag, Girling, . Lemfoerder, Lombardini, Peugcot, Piaggio, Renault, etc. Names that offer the best

possible proof of the high

technological level attained by Teksid.

Teksid: the Fiat Group's metalworking operation

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### **UK NEWS**

#### **COMMERCIAL LAW REPORTS**

### Evidence must justify Mareva variation

A v B-X INTERVENING

The evidence was that the debt ter position and had merely to show that never been disputed and the cial Court): Mr Justice Parker: May

The evidence was that the debt ter position and had merely to show that never been disputed and the that the debt was incurred prior to defendant had given temporary the injunction.

debt of honour owed to him by the defendant can be paid out of frozen assets must satisfy the court that there is no intention to defeat the underlying purpose of the injunc-tion; and variation will be refused if he cannot show that the debt specifically relates to the frozen assets and that at the date of the injunction he had an existing right to be

paid from that source. Mr Justice Parker so beld when dismissing a chambers application by "X Ltd" as intervenor, for variation of a Mareva injunction by which assets of the defendant to an action to which X was not a party were frozen to prevent their dissipation before trial. The parties were

not named. HIS LORDSHIP said that on September 24 1982 the plaintiff obtained a Mareva injunction against the defendant freezing all his assets within the jurisdiction up to \$13.2m. The plaintiff's claim in respect of which the injunction was granted

for moneys due on closure of a commodity account. The plaintiff also obtained an order for an affidavit disclosing the defendant's assets of certain de-scriptions within the jurisdiction, including bank accounts. On October 19 the defendant swore an affidavit disclosing four bank accounts

with credits totalling about £8,000. At the date of the injunction the defendant owed the intervenor, "X," £400,000, on cheques drawn on August 19 and dishonoured on Sep-

his assets within the jurisdiction.

19, 1983.

Cash flow problems as his explanaAN INTERVENOR who seeks to tion for dishonour. It was said that vary a Mareva injunction so that a on several occasions the defendant had expressed himself willing and able to discharge his debt to X.

There was no evidence to show from what source the defendant wished to pay the £400,000. He had made no application himself. Nor had he come forward to support X's

In correspondence leading up to the application the plaintiffs had contended that the debt was unenforceable and that it was not incurred in the ordinary course of

It would not matter if the debt were unenforceable, for a Mareva injunction was not to be used to prevent a person meeting debts of honour (which this clearly was), so long as the court was satisfied that his desire to use frozen assets was not merely to evade the underlying purpose of the injunction.

The fact that the debt was not an

ordinary business debt was equally of no importance. If a man had purchased for his own pleasure a valuable picture or piece of furniture, the injunction was not to be used to prevent him from paying the pur-chase price - subject to the qualifi-cation that the court was satisfied that in doing so he was not evading its underlying purpose.

The plaintiff's main objection to the variation was that the court had no material on which it could be satisfied that the payment, if made, would not evade or defeat the underlying purpose of the injunction.

X, on the other hand, contended tember i3.

X now applied to the court for variation of the injunction operand the defendant to pay £400,000 from the def

That submission was correct when the intervenor was a bank seeking to exercise pre-existing rights of set-off in respect of assets caught by the injunction in its own hands (see: Oceanica Castelana (1983) 2 All ER 65).

It would also be correct in some circumstances, where the interven-or was claiming under an agree-ment specifically relating to frozen assets which were not in his own

position was different X was claim-ing a simple debt which did not spe-cifically relate to the assets caught by the Mareva, save in one possible respect, namely that the dishon-oured cheques were all drawn on an account which, at the date of the defendant's affidavit, was in credit to the extent of £8,700.

The court must carefully guard the rights of third parties, but it could not dispense with the need to he satisified as to the justification for a variation when a defendant told a third party he was willing to pay and left it to him to apply.

The purpose of the injunction would not be defeated if the £400,000 were to be paid either out of assets within the jurisdiction which exceeded \$13.2m, or out of as-sets outside the jurisdiction; but in perther of those cases would a var-

Nor would it be defeated if the £400,000 were to be paid out of assets within the jurisdiction not exceeding \$13.2m, and there was no other source from which the money

could come.

Whether the application was made by the defendant or by his creditor, the court should be satisfi-

than a payment which would nor-mally have been made out of such assets had there been no injunc

In the present case there was no evidence on which the court could be so satisfied. If the defendant wanted to make the payment he could make an application himself or possibly provide X with the necessary evidence.

Alternatively, X could proceed to judgment, in which case it would have no difficulty in executing upon any assets it might find within the

At the date of the defandant's affidavit moneys were standing to the credit of the bank account on which the cheques in favour of X were

If cheques were drawn on an ac count which was in credit at the date of the injunction and the de-fendant desired that they should be met to the extent that the credit allowed, there was no reason why an injunction should not, in most cases, be varied to allow the payment to be made from that account.

If the cheques were drawn before action and injunction, there was no question of defaulting the purpose of the injunction. At the time it was granted the creditor had an existing right to be paid from that particular

In the present case, however there was no evidence of the state of the account as at the date of the injunction. All that was known was that the cheques were returned by the bank on September 15 marked "refer to drawer," and that on October 19 the credit balance was

For the plaintiff: Christopher Clarke (Linklaters & Paines) For the intervenor. Charles Gibson (Kingsley Napley & Co) By Rachel Davies

### Admiralty Court chart ruling revoked

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT ensuring that their vessels are sup-plied with up-to-date and accurate charts, the Court of Appeal has

It is not sufficient to leave the matter to the ship's Master. There must be a management-instituted system for chart correction, and spot checks by management representatives, the court said.

It allowed an appeal against an Admiralty Court decision that the ly damaged by the tanker Marion's owner of a Liberian tanker, whose anchor damaged a North Sea oil

SHIPOWNERS are responsible for pipeline, could limit his financial liability for the damage under the Merchant Shipping Acts.

The Acts provide for such a limitation if the owner can demonstrate that the damage was not caused as a result of the way he manages his business

The Admiralty Court's ruling had been challenged by oil companies using the pipeline from the Ekofisk field to Teescide, which was severeanchor.

pion Tankers, admitted that the damage had been caused by the negligence of the Master, who had been using uncorrected charts on

which the pipeline was not shown. But, the company argued, that was not something that stemmed from the way its business was run. Lord Justice Dunn said that the Marion was managed by the London-based Fairfield Maxwell Ser-

vices, and the question was whether they and, through them, Grand Champion Tankers were at fault. They argued that they fulfilled

their duty by promptly supplying the Marion's Master with the charts he asked for, and with published alterations and corrections.

Lord Justice Dunn said that if, as had been asserted, that was a common practice with chart correction being left to a ship's Master it was

fraught with danger.

"If, as here, the Master is grossly negligent, and effectively operates no system for the correction of charts, that will not come to light unless and until there is a ca-



A FINANCIAL TIMES CONFERENCE

# The FT World Gold Conference

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Lugano, Switzerland 22 & 23 June 1983

Over the last ten years the Financial Times has sponsored World Gold conferences whenever the outlook has suggested the value of a seminar devoted to examination of trends in the markets, prospects in the main producer countries and assessment of monetary aspects. To be chaired by Mr Robert Guy of Rothschilds and Mr Hubert Baschnagel of Swiss Bank Corporation this year's conference has attracted an extremely distinguished panel of speakers. For the first time silver will also be included. Speakers will include:

Dr C L Stals South African Reserve Bank

Mr Paul Zubler

Union Bank of Switzerland

Mr D Suskind J Aron & Co/Goldman Sachs & Co

Mr Robert M Rubin Drexel Burnham Lambert

Mr Rene Lame Schneider SA

Mr U Kunze Degussa AG Dr Henry G Jarecki Mocatta Metals Corporation

Mr John Forsyth Morgan Grenfell & Co Ltd

Mr Meinhard Carstensen

Dresdner Bank AG Mr Timothy Green

Consolidated Gold Fields

**Mr Thomas Wolfe** Wolfe/Wire Inc

Mr T M Othman Al-Saudi Banque

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June 28-July 1

780 4141) July 4-7

### WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

DIVIDEND & INTEREST PAYMENTS— Bank of Montreal 49 cts Greenbank Industrial Hidgs 1.3e Lowni Inthi Inva NV Gid Fits Rate Nts Nov 1988 151.53 Southamption, IGW and SOE RM Steam Pkt SpcPt 1.75p

TODAY

COMPANY MEETINGS—

Amaigamated Metal Cord. City Conference Centre, 76. Mark Lane, E.C., 10 00
Assoc Strish Ports Hidgs, London Press
Centre, 76. Shoe Lane, E.C. 12.00
Chepabbw Racequare, Racecourse, Chepabbw Racequare, Racecourse, Chepabbw Racequare, Racecourse, Chepabbw, 12.00
Clarke, Nickolis and Coombs, Beacontree House, 82, Remtord Road E., 12.00
Dunlop Hidgs, Cate Royal, 68, Regent Street, W., 12.00
Kennedy Brookes, J.B.'s Brasserie, Plantation House, Mincing Lane E.C., 9.30
Upton (E.) and Sons, Upton Restaurant, 175:183. Limborpe Road, Middlesbrough, 7.00
T. B. Descriptions
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Finess

DIVIDEND & INTEREST PAYMENTS— berthaw Cement 7:pcPl 2,625p ce Bollmont intul 10pcPl 5p dams and Gribbon 7:pcPl 2,625p dams en Gribbon 7:pcPl 2,625p drance Strvices 5:pc2ndPl 1,925p levander and Alexander Services inc CES (Edgar) Balfour 7 LocDeb 1987-92 lien (LEUSA) Sanctille (LEUSA) Sanctille (LEUSA) Stanctille (LEUSA) Sanctille (LEUSA pc and Lacy 10p ack Intni 3.6p r Perkias Hidgs 5%pcDb 1979-84

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Do Gat Fire Rate Nix May 1984 579.05
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Cropper (James) Spcin 1994-99 4-bot
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Do 10/apcDb 1990-93 5-bot
Druck Hidgs 11-b

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Low (Wm.) and Co 2.5p
McCorquodale 64pcLn 1990-95 34pe
Do, 81pcLn 1994-99 44pc
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Do. 10pcP 5p
RMC Group 6.5p
Raeburn linv Tst 50cPl 1.75p
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Winlock 15pc.ta 1976-99 7t2pc
Frilower 18.70
Volume 18.70
Vo Vaster 10 Wade Potteries 10pcPf 5p Wadkin 0.5p Wagon ind Hidgs 3t-pcPf 0.875p Waterford Glass Group 0.911p

TOMORROW

COMPANY MEETINGS—
Bratamer, Glaziers Hall, Montague Close
London Bridge, Et. 12.00

Erith, Chertweed Accountant's Hall, Moorsate Place, E.C. 12.00

Lamont Hidgs, North British Hotel, Princes
Street Edinburgh, 12.00

Long and Hambiy, Station Road, Great

Billing, Northamoton, 10.00

Lunyas (Ceylon) Tea and Rubber Estates,
1-5. Great Tower Street, E.C. 3.00

Richards (Leicester), Phoenix Iron Works,
Martin Street Leicaster, 12.00

It would be nice if everything

as a Lufthansa plane.

that flies received as much attention

energy Services : Mose : Robert) Samuel (M.) Trans-Natal Coal wase Gro Interiors:

DIVIDEND & INTEREST PAYMENTS DIVIDEND & INTEREST PAYS
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American Brands inc 87.5 cts
Anglo Scottish Inv Tst 4-pcDb
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Japan 4ec Stip Le of 1910 2pc
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Jones (A.) and Sons 61.pcPf 2.275p Kirkless Met, Council 11.6pc Red 2031

5.8pc
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Lefturemen Intol 0.9s
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Ocean Transport and Trading 2 35p
Ontario and Quebec Railway Co. 6pc Cap
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Do. Soc Permit 4 LipcPf 1.575p
Pilicom 0.25p
Planet Group 1 5p
Radio Rendals (Hides) 6pcPf 2.1p
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THURSDAY JUNE 2 THURSDAY JUNE 2
COMPANY METINGS—
Commercial Bank of Near East. 107-112.
Loadenhall Street, E.C... 11.00
Cussins Property Groue, Savoy Hotel.
Strand, W... 11.00
Davies and Newman Higgs. Great Eastern
Hotel, Usersool Street, E.C... 12.00
Rooms, Great Cauch. Consumpth
Green's Economisers Croup. Consumpth
Green's Economisers Street, W.C., 12.00
Nockins a Street, Midland Hotel, New
Street, Birmingham. 12.30
Street, Glasgow, 12.00
W. Group. Careasa
Yorkshira. 11.30
W. Group. Careasa
Yorkshira. 11.30
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Yorkshira. 11.30 ECARD MEETINGS— Flash: Beecham

Finals: Beecham Bishop's Group Castings ... Castings Century Olis Computer and Systems Engineering Harrisons and Crostleid Rowlinson Securities

Burnah Oli, Central Hotel, Gordon Street, Glasgow 11.50 City and Commerical Inv Tst, 117, Old Broad Street, E.C., 12.00 Conger Intil, Westex Hotel, Winchester, 12.00 institutes. 20. Trades Mouse, Glassford
12.00 inspiring, Trades Mouse, Glassford
Erreet, Glassow, 12.00
North British Can inv Co. 29. Charlotte
Square, Edinburgh 10.45
Queens Moat Mouses, Woodford Moat
House, Cak Hill. Woodford Green,
Essex, 12.00
Rugby Portland Cement, Crown House,
Rugby, 12.00
Scortish Television, Cowcaddens Glasgow,
12.00

12.00
DIVIDEND & INTEREST PAYMENTS.
AGA Aktiebolog SK 8.75
Anchor Chemical Group Zp
British Aerospace 5.20
Clondakin Group 3.75p
Commercial Bank of Near East 30p
Cussins Property Group 3.1a
Gillette Co 57.5 cts
Halstead (James) Group 1.25p
Lilley (F. J. C.) 3.872p
Merrill Lynch Overcess Capital NY G

### BUSINESSMAN'S DIARY

#### UK TRADE FAIRS AND **EXHIBITIONS**

June 1 Advertising Business Systems Show (01-637 7438) Press Centre, EC4 Fine Art and Antiques Fair (01-385 1200) Olympia Offshore Computers Conference and Exhibition (01-734 4343) Aberdeen

June 6-10 Chemical and Processing Engineering Show—EUROCHEM (01-747 3131) NEC Birmingham June 12-16 Shopex International (01-540 Olympia 1101) June 20-23 Royal Highland Show (031-333 2444) Ingliston Showground

June 28-30 June 28-30
Printing, Packing and Allied
Trades Exhibition (Norwich
(0603) 715588) East Anglia
Exhibition Centre

5100) National Astleultural Centre July 5-7 Education, Training and Development National Exhibition and Conference (01-637 2400) **NEC Birmingham** July 5-7 The Leeds Electronics Show (Saffron Walden (0789) 22612) University of Leeds

June 23-July 1 Security Tradex 83 (Redhill (0737) 68611) MEC Birmingham

June 28-July 1 ROSPA International Safety Exhibition (Birmingham (921) 780 4141) NEC Birmingham

Royal Agricultural Show (0283

hicro Trade Exhibition (01-486 July 12-14 National Conference and Exhibition on Computers in Personnel (Essex (0227) 232030) Royal Lancaster Hotel, W2

### **OVERSEAS TRADE FAIRS**

Algiers International Trade Fair (01-221 7800) (until June 1) Algiers Current Paris Air Show (720.61.09) (until Paris

Telecommunica-International tions Congress and Trade Fair
—IFCOM (01-930 7251)

Mill al Saw Mill (01-486 1951) Johannesburg and Forestry Ex. July 21-25 LMIA (0732 850 Audio-Vision Expo 83 (01-930 Jonkoping 7955) Hong Kong International Machinery and hibition—ELMIA

June 19-22 Latin American Petroleum Show EUROPIPE '83 and 1 TUNNEL '83 (0727 63213) June 22-24
Under Water Technology 83
(01-250 3561) Amsterdam
June 26-29
National Fancy Food and Con-

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National Fancy Food Section Show (0483 38085)
Washington Cologne Manufacturing and Plant Maintenance Exhibition — PEMEX

Mill (01-486 1951) Johannesburg

#### BUSINESS AND MANAGEMENT CONFERENCES

June I Brighton Polytechnic: interactive video and computer training (Eastbourne (0323) 21400)

June 1-2 FT Conference: Vehicle components (01-621 1355)

June 6-7 The Economist: Western arms

Portman Square, W1 July 5 Management Centre Europe: Materiane: The pharmaceutical International negotiations industry and the media. Time (219.03.90)

Brussels for a change? (01-637 7438)

Business School: July 12-13

Frost and Sullivan: Systems net-work architecture (01486 0334) Cumberland Hotel, London teractive training IPS: The world truck (9780 Stbourne 56777)
Tara Hotel; W8
June 16
Dun and Bradstreet: Effective collection techniques (01-247
Geneva 4377) Holiday Inn, Birmingham June 16 June 2
Institute of Directors: City Institute of Directors: Perbranch annual conference (01 formance related pay system)

(01-320 1932) Bell Mark City nual conference (01. formance related pay systems
Press Centre, EC4 (01.839 1233) Pall Mail, SW1

June 9-10.

June 22 Institute of credit management. rne Economist: Western arms co-operation—how to make joint procurement work Credit management for insurprocurement work

June 8

BISFA: Video publishing — progress and prospects (01-637 9376)

Brighton

Brighton

Intercontinental Hotel, WI Strategies: to reduce unemployrelations documentation — law

Manchester and practice (01-328 4751) Royal Horseguards Hotel, SW1 June 9-19
Computer Assisted Televideo:
Interactive videodisc seminars
(01-588-1932) Kensington Clese Hotel, London

Clese Hotel, London

Royal Horseguards Hotel, SW1
July 14
Chatham House: The oil market and the future of Opec (01-930
St James Square, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.



# First Charlotte Assets Trust

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Yearto 31st March, 1983 Netassetvalue: +38% "Significant progress has been made towards our long term objective of having 70% of our assets invested in small U.K. companies with particular emphasis on the U.S.M."

P.E.G. Balfour, Chairman

To: D.T.M. Ross, The Secretarial Department, Ivory & Sime Limited, One Charlotte Square, Edinburgh EH2 4DZ. Please send me a copy of the 1983 Annual Report for First Charlotte Assets True

### ARAB LATIN AMERICAN BANK U.S.\$40,000,000

FLOATING RATE CERTIFICATES OF DEPOSIT

For the six months from 31st May 1983 to 30th November 1983 the Certificates will carry an interest rate of 93% per annum. The interest payable on the relevant interest payment date. 31st May 1983, will be U.S.\$25,098.96 per \$500,000 Certificate and U.S.\$12,549.48 per \$250,000 Certificate.

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Lovell sets

up project

design arm

LOVELL Taskmaster Ltd-the

latest member of the Lovell

Group of companies — has been set up specifically to

handle project design and construction management.

Taskmaster directors, Graham Reudall and Ray

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more assured final costs;
more equitable conditions

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O more accountability of the

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• greater control of varia-

removal of claims and

delay caused by late informa-

• better take-over and com-

missioning procedures.

Given the appropriate involvement, Taskmaster will offer a Guaranted Maximum

Price once the scope of the project and specification are defined and before all details are complete. Cost engineers

using design monitoring techniques ensure that this price

is not exceeded and any sav-

ings on the GMP are shared

tion: and

### BUILDING AND CIVIL ENGINEERING

### BMP in repair grant campaign

A MAJOR campaign is being mounted by the Netional Council of Bulking Material Producers (BMP), the National Federation of Roofing Contractors (NFRC) and other members of the bulking industry to put pressure on the mext Goyerment to make the 90 per contractor of pake the 90 per contractor of pake the 90 per contractor of the present scheme expires cont repair grant permanent.
The present scheme expires
next March, and although 90
per cent grants are thought to
be making a major contribution housing investment. As a means of avoiding large increases in Town Hall staff, it

is suggested that supervision may be carried out either by a superficial inspection of the jobs done (backed up by a thorough survey of a random sample) or the renovation of UK housing stock, the BMP believes that uncertainty among manufacthe use of private surveyors and architects, whose fees could be met from grant funds, A register of approved conan adverse effect on investment. It says that a co-ordinated approach is needed to make a substantial impact on the 4.3m houses believed to be in need of repairs costing over £2.500 tractors is seen as another way whereby supervision of the grants could be made easier for

Mr Charles Williams, of the of 33,715 grants made in the UK in the last quarter of 1982 will increase significantly during the year and produce an annual useful aid.

It adds that making grants payable against invoices and not estimates would help The industry seeks a significant abuses of the system. JONATHAN COKE-SMYTH

### Report attacks attitude to imports challenge

IMPORTS are proving a chal-merchant and do-it-yourself lenge for a number of British building material producers and, in some cases, management has taken an over-confident atti-tude to the domestic market, says a recent report.

rate of approximately 100,000 by the end of the year produc-

ing work worth over £200m.

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-lotte

Technically, and often managerially, the leading British building materials companies have enjoyed overwhelming dominance in the domestic market, says the May Building Bulletin from London stock-brokers Savory Milln, particu-larly in bulkier materials where transport and handling costs

"Now, however, the old order is being challenged as foreign producers faced with depressed trade in already mature markets struggle to find new outlets for short-term surplus capacity, and opportunities for long term potential growth," say the

The view that British management is over-confident has been voiced by many in the builders'

businesses they say, adding that this may help explain the success of the importers in some fields in recent years.

With quality and certainty of supply as major considerations, say Savory Milln, most of the major UK cement users "seem happy to play it safe," and continue to use British cement. They note, however, that these users will still beneat from imports since British producers have been forced to force price in order to maintain comrises in order to maintain a competitive position,

In plasterboard, they believe the import threat to be "essen-tially marginal." But in glass, they say that import penetra-tion is more significant than for most building materials and that American and Japanese in-vaders will not lightly surren-der the inroads which they have made in the UK and other mar-kets.

PRIVATE SHELTERED ACCOMMODATION

### McCarthy satisfies a need

This is not always a satisfac-tory solution, particularly for the elderly owner-occupier looking for local authority accommodation, as they find it difficult to qualify for a home under the points scheme. There are about 6m owner-occupiers aged over 60 in the UK. If it is assumed that a quarter of them are looking for sheltered accommodation, out cannot qualify for the usual local authority homes, this pro-vides a substantial 1.5m un-satisfied market.

local authorities.

In processing grant applications, the BMP suggests that a simple "model" procedure issued by the Department of the Environment might prove a bout the same time that they were faced with a difficult The possibilities offered by were faced with a difficult development site. Planning permission had been refused for the density of housing of office building which was necessary to provide a reasonable return, but what about private speltered accommoda-tion for the elderly? This turned out to be a good

idea. High density of indivi-dual homes could be achieved 33 developments under con-because the potential customers struction by the end of the year, usually need only one bedroom, rising to over 54 schemes by

SHELTERED ACCOMMODATION for the elderly—that is, groups of homes for old people with a resident warden to provide assistance and supervision—is in the main only available from local authorities and bousing associations, usually on a full rental basis.

This is not always a satisfactory planning solution for a difficult town centre site.

The concept has approved a they meet a growing social residents 1984.

The encept has approved a they meet a growing social residents 1984.

Commenting on this move Mr Country to £37,000 in Surrey, is self-contained including a chairman and managing direction, said: "Having identified a pressure on its sheltered homes major market, we are responding to the considerable demand for our sheltered homes. We guest bedrooms with ensulte they meet a growing social residents' lounge: and of

for a difficult town centre site. The concept has proved a winner for McCarthy and Stone. The first scheme was completed in 1976. Since then 10 sites have been completed in the south coast area, 17 more are at the selling stage, and work is in progress at another 20.

The company was launched on the unlisted securities market in June last year, and selling from our research that they meet a growing social they meet a growi

The first National Conference on Housing for the Handicapped and Elderly was held at Reading last week.

Sponsored by the Anglia Building Society, and organised by the Bulmershe Resource Centre for the Handicapped, the conference attracted over 800 delegates from throughout the

At the end of the conference, Anglia's joint chief general manager, Mr Anthony Stoughton-Harris, said that the society is setting aside £10m for mortgage advances to the handleapped and elderly,

since then the shares have ties." almost trebled in value.
This initial success has engramme, Seven regional organisations have been set up, and the company expects to have between 40 and 60 flat units, and developments under construction by the end of the year, and designed for one or two areas of the control of two and designed for one or two areas of two areas of the control of the contr

Capital purchases in plant and equipment will account for over £750,000 to

couraged the company to provide an initial establishment embark on a nationwide profor the regions, he added. McCarthy and Stone's developments generally range between 40 and 60 flat units, people. Each flat, costing from

guest bedrooms with ensuite showers, laundry room and residents' lounge; and, of course, there is a resident warden.

The units are linked to the wardens office and flat with an waterins once and nat with an emergency intercom alarm system that can be operated from all the main rooms in each flat, including the bathroom. Mr McCarthy emphasised that particular attention is paid

to the selection of sites, which are preferably a level short walk to main shops and other local amenities. This often means that they are sites which may prove difficult to develop in any other way which would provide a satis-factory commercial return.

Last year's profits for the company were £2.15m. According to Mr McCarthy this will be reinvested in the company, as will the profits at the end of this year, expected to be £3m. Predictions for next year double this figure.

The company holds no land bank, and when a site has been purchased building work generally starts within three months.

tion in this market, both local authorities and housing associa-tions, which previously were sceptical, are wishing to take part in the scheme, and some have even offered sites, says Mr McCarthy.

Residents, who must be over

60 (purchasers can be any age), pay a £6/7 a week management charge to cover the cost of the warden, insurance, maintenance, eating and lighting, and rates



Mr John McCarthy, chairman of McCarthy & Stone

rates on the communal areas. The company says that the total weekly outgoings on each flat, sold on a 99-year lease, is about

TONY FRANCE

### Gallagher land deal

on an agreed basis.

IN ONE of the largest residential land transactions in the West Midlands in recent years, Gallagher Estates and Gallagher Developments have paid £3m for 84 acres at Menkspath, Solihull.

The land was purchased by Gallaghers from Francis Parker and building work on the first phase of the housing development has already begun.

New roads are being in-stalled and the first houses will be available for occupation in the autumn. Gallaghers sales unit will be open within two weeks.

### Kier wins £11m Papua New Guinea tunnelling work

KIER INTERNATIONAL part of credit with the guarantee of of the French Kier Group has ECGD. been awarded the contract for four tunnels worth about film on the Ok Teds Project in Papus New Guinea. This 16-month contract for Ok Tedi Mining forms part of stage one of the overall development for the mining and production of gold in the province. Three tunnels, totalking 2.81 kilometres in

the design and construction of HOLLAND DREDGING COM-PANY (UK), Farnham, in joint venture with BALFOUR EEATTY CONSTRUCTION, PANY (UK), Farmam, in Joint venture with BALFOUR BEATTY CONSTRUCTION, Edinburgh, has won a 23.2m contract from Vickers Shipbuilding and Engineering at Barrowin-Furness. This calls for about one million cubic metres of fill material, which will be pumped into Deyopshire Dock. There will be drainage repairs, grouting dock walls and structural works at the entrance and in the graving dock. A cutter suction dredger will recover sand port threat to be "essen marginal." But in glass, ay that import penetraay that import penetrasy more significant than at building materials and mounted faside a tunnel shield.
The fount tunnel, 1.1 kilometres in into Devonshire Dock. There will be drainage repairs, grouting dock walls and structural works at the entrance and in mounted faside a tunnel shield.
The fount tunnel, 1.1 kilometres in into Devonshire Dock. There will be drainage repairs, grouting dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural and plast ing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and ing dock a cutter sucing dock walls and structural works at the entrance and in the graving dock. A cutter sucing dock walls and ing dock a cutter sucing dock walls and ing dock a cutter sucing dock walls and ing dock a cutter sucing dock a cutter sucin

a £3m construct awarded to Shepherd Construction for the enection of Crown and County Counts at St Aldates, Oxford; and finally a film contract for

ALLEN-FOX CONSTRUCTION, Wigan, has been awarded the new distribution depot, Irlam, contract fon OWS drinks group, value £617,490 and the Phase II civil work; contract at the Hand-

Wimpey Construction to repair and renovate married quarters at Wantage, Oxfordshire.

Among contracts recently awarded by the Property Services Agency are: a £3.5m contract awarded to Peter Birse for the re-engineering of an underground bunker at RAF Ash in Kent; a £2.5m contract awarded to Amey Roadstone for five aircraft eheiters and a taxiway at RAF Upper Heyford, Bicester; a £3m contract awarded to Sm contract awarded to Amey Roadstone for five aircraft awarded to Sm contract awarded to Sm and offices for Barker Welding Supplies, Bolton, value £194,000.

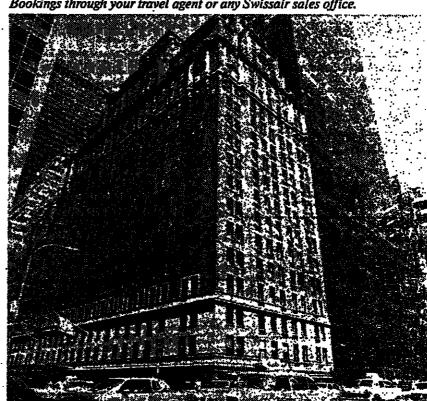
> Almshouses built in 1852 as an "Asylum for Worthy Aged and Decayed Freemasons" at Free-masons Road Croydon, are being masons Road Croydon, are being converted into modern self-contained flats and maisonestes for the elderly under a £780,000 refurbishment and new-build contract awanted to MANSELL by the Loudon Borough of Croydon for completion in January 1984.

currently engaged on phase IA of the new complex for the British Standards Institution at has started work on phase 1B. The development comprises The development comprises offices and further buildings including a print works at a total value of £2.3m.

BALFOUR BEATTY CON-STRUCTION has been appointed managing contractors by London and Metropolitan Estates for re-furbishment of an existing eightfurbishment of an existing eight-storey bank and offices on the corner of Gracechurch Street and Fenchurch Street. The new occupants will be the French bank, Societe Generale. Exten-sions will create more office accommodation, together with some 4,500 square metres of re-furbishment is worth over £4m.

The Drake, 440 Park Avenue at 56th Street, New York, Tel. (212) 421-0900. Hotel Bellevue Palace, Kochergasse 3-5, Berne, Tel. (031) 22 45 81. Hotel International, Am Marktplatz, Zurich, Tel. (01) 311 43 41.

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Interest on each Note is payable annually in arrears on 15th June, the first payment being made on the 15th June immediately following the subscription thereof.

Full particulars of each issue of Notes are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 14th June, 1983 from the brokers to the issue;

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31st May, 1983



Standard Chartered Bank PLC

U.S. \$50,000,000 Floating Rate Capital Notes 1984

31st May, 1983 to 30th November, 1983 the Notes will carry an interest rate of 91% per annum. On 30th November, 1983 interest of U.S. \$49.88 will be due per U.S. \$1,000 Note for Coupon No. 13.

> Principal Paying Agent European-American Bank & Trust Company New York N.Y. 10005

nk: Morgan Gueranty Trust Company of New York, Londo



U.S. \$50,000,000 Floating Rate Capital Notes 1989

In accordance with the provisions of the Notes notice is hereby given that for the three months interest period from 31st May, 1983 to 31st August, 1983 the Notes will carry an Interest Rate of 9%% per annum. The interest payable on the relevant interest payment date, 31st August, 1983 against Coupon No. 15 will be U.S. \$24.60.

By Morgan Guaranty Trust Company of New York, London Agent Bank



(centre), with his daughter, Nicola, the business Systems manager,

### Back from the brink

FEW UK machine tool com-panies could say these days that their works director has been so occupied ensuring that orders are met that he has allowed his once eight-handicap golf game to disintegrate over the past year into a caricature of its tormer self.

That is what has happened to Brian Kellett of Denford Machine Tools, a company which has increased its workforce by almost a third in the past 18 months, operated a seven-day week for part of this year and is on course to double last year's turnover.

Nestling in the hilly town of Brighouse in the once great West Yorkshire machine tool belt, Denford manufactures equipment primarily used in training and retraining machinists.

It has been subjected to many of the same trading traumas which have killed off large parts of Britain's machine tool industry. Set up in the 1950s, the company reached a peak in 1976 with 130 employees and a turn-over of £1.4m. The next three years saw overall losses and a drop of 60 per cent in machine sales, partly as a result of a national cash squeeze on training. By 1981, its workforce had tumbled to 65.

Gerald Denford, the company's managing director, who took over the reins from its founder—his father Horace dates the start of the revitalisaComputer control saved **Denford Machine Tools** 

from going under.

tion of Denford very precisely to June 1979. In that month, two men visited the company and changed its direction. One was Dennis Gill, group training officer for the industry-backed Humberside Training Associa-tion, who was looking for equipment to purchase. The other was Cedrick Fletcher, an

official at the British Embassy in Helsinki who was starting up his own machine tool sales company. Both wanted to know why Denford was not converting its training machines to computer numerical control (CNC) in step with the trend sweeping through production machinery.

Within a month, Denford had taken the carcass of its standard variable speed lathe and fitted the electric motor drives which were a necessary preparation for CNC.

It then approached GSM-Syntel, a local electronics con-trol manufacturer in Huddersfield. Though GSM had never made a CNC control unit before it said it could do it and would fund a large part of its development with the hope of getting orders from Denford. GSM was provided with the

specification of the lathe and the kind of work Denford wanted for the unit. By March the following year, GSM had designed and manufactured a CNC micro processor with a built in "talking" aid pro-gramme for trainee lathe opera-tors. This became the Micro Master system which was not on Nick Garnett reports. Master system which was put on sale in the summer of 1980.

Denford claims this was the first CNC training lathe produced in the UK and probably in the world. GSM says that it then became clear that something smaller was required by the market. was required by the market. Further development led to the Micromaster being replaced by the more compact ORAC for which GSM had also done the CNC control unit. The bulk of GSM's output now goes to the Brighouse company.

Gerald Denford says of the changes: "If we had not converted to CNC, we would be closed down by now." He now argues that running in parallel with advances in production engineering equipment is the way forward for the training machinery industry; "Some machines built in the last eight years are now dinosaurs in a graveyard." He is very caustic, however, at what he says is a continuing failure of some production engineering company managements to recognise the benefits of CNC.

Education Ministry. It now exports to Finland and Norway, and estimates that the turnover of £1.6m in the year to March 1983 will jump to £3.2m this year. Its workforce has recently been raised to 90 and the company has £2m worth of orders on its books. In the past year, companies like Rolls-Royce, GEC Turbines,

Westland Helicopters and British Aerospace have been either placing orders with or receiving equipment from Denford.

The company still manufactures conventional machinery largely for schools and technical colleges from a £400 doubleedged grinding machine to a £2,500 variable speed lathe. But 90 per cent of its output is now based on CNC training machines and ancillary equipment, from the basic bench training lathe at £4,350 up to an Easiturn lathe with CAD/ CAM system, tool-path graphic display and printer and plotter for £25,000.

This equipment—which some of Denford's competitors say is strong on theoretical teaching-is directed to polytechnics, gov ernment re-training centres and colleges of further education, as well as engineering industry board centres. A third of Denford machinery goes to the in-house training areas of big manufacturing companies but only 5 per cent of output is used in actual manufacturing

Denford has a new range equipment emerging for 1984 and is well aware that it has to maintain technical progress while keeping an eye over its shoulder.

There are a number companies in or moving into CNC training equipment. Some have market niches geared to more basic training. The biggest in the overall field is probably the Austrian company, Maler, with its Emco 5 bench-training lathe. Others include another Yorkshire company, T. S. Harrison, with its M250 CNC lathe and the Australian company, Hercus.

Boxford, which was recently the subject of a managemen buy-out after the failure of the Brooke tool group of which it was a part, has a CNC training lathe on the stocks.

If Gerald Denford needed reminder of how companies need to keep their ears to the floor, it landed on his desk at the end of last month. Correspondence with the Japanese machine tool com-

pany. Mecanix, elicited pany managements to recognise the benefits of CNC.

Denford secured a fl.lm manufacture a CNC training order in January for 63 lathe. "This is one crowd I'm machines from the Mexican watching", says Denford.

### A substitute for imports

A SMALL family controlled steel pressing business in the Midlands has a special reason to be proud of taking on—and beating—foreign competition in its market place.

For the company, whose name must for the moment remain anonymous, is this week tooling up to meet a \$40,000 order which is the direct result of last year's
"Can You Make it?" Exhibition organised by the Confederation of British Industry. the London Enterprise Agency (LEnta) and the Institute of Purchasing and Sapply.

The customer in question, Dumfries-based Uniroyal, which, among other things, manufactures industrial foot-wear and is one of 50 or so large companies which last year put on a display at the exhibition of imported manufactured components and assemblies which they said would buy in Britain if the terms were right.

"We had been looking around for an alternative supplier for a vital compon-ent for our safety wellington boot," explains Universal buyer Ian Swan. "There didn't seem to be anything suitable on the market, but when we attended the exhibition we got 16 enquiries from interested parties. We finally whittled them down to this one in the Midlands."

Uniroyal says it has to be cautions about revealing further details because of possible retaliation from its previous supplier. Signifi-cantly, though, the new com-ponent will be slightly dearer than the one it is replacing. The quality is the same but the difference is that we will receive materials which have already been treated," says

This Midlands success story comes at a time when invitations have just gone out from Sir Campbell Fraser, CBI president, to 250 company chairmen and chief executives urging them to take part in a second show to be held in London from September 28 to

Products displayed at the first exhibition were worth an estimated £100m in potential new business. Nearly 3,500 visitors, mosty small businessmen, turned up for the event and their 22,000 inquirles resulted in 2,000 firm bids to supply products to a value of £20m a year.

Tim Dickson

## A virtue of necessity

WHILE NORTHERN European governments sometimes seem to be stimulating small businesses in the hope of creating a completely new motor of economic growth, the Italian small- and medium-sized business sector is already one of the important and dynamic parts of the country's economy. Although it enjoys some government assist-ance, what it most wants is a continuation of the policy of benign neglect that allowed it to

become what it is. Whereas small industrial businesses in other European countries have often been set up as a reaction to the stultifying unwieldiness of large concerns, in many parts of Italy industrialisation started with small businesses — for much of Italy has only industrialised in the past 20 or 30 years. The growth of small businesses in Italy did, however, receive a big boost in the early 1970s when large Italian companies were lumbered with new labour legislation and social security charges which obliged many of them to decentralise and divide themselves and their operations into smaller units.

The latest business census, taken in autumn 1981, illustrates the trend. It showed for example that the number of engineering companies had grown by 45 per cent to 180,000 since 1971, but that the number of their employees had grown by only 25 per cent — the average number of employees per firm dropped from 14.2 to 12.2. The number of employees in light manufacturing and tex-tiles dropped marginally to 6.7

per firm.

The figures showed that only 8 per cent of engineering companies employed 20 or more people—and that 82 per cent

had nine or less.
On the basis of these and other figures Italy appears to be the European country of small business par excellence. Even in more technologically advanced fields such as machine tools, production is often divided among a set of com-plementary small units rather than concentrated in one big

For example, Benetton, the For example, Benetton, the major Italian jeans, knitwear and casual clothes maker, directly employs about 1,600 people but it gives work to an additional 10,000, all over northern Italy, who manufacture at home or in small workshops to the designs and standards set by the bigger comstandards set by the bigger company.
The vast majority of the

Italian shoe industry, which produces more than 400m pairs

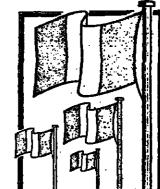
James Buxton

reports on

Italian small business in the

second of a

five-part series on major countries



a year, is in the hands of very small producers often just a husband, wife and child. Yet in

grown up on the imitative pat-tern—on people copying the techniques of his neighbour, to produce whole cities and town-

level networks of businesses have grown up in engineering fields which represent, in a distinguished academics phrase, "economy of scale at the level of the system rather than the single company."

main entrepreneur, whose own production facilities may be modest, knows who is capable of producing what

however small, are excused few of the rules that constrain the of the tune bigger ones. Companies employing fewer than 15 people have a union

organisation, our mast most all the other costly conditions of employing labour. But a family unit, whether running a restaurant or a shoe workshop, can consider its members self-employed and is not obliged to pay pension and social socially contributions.

People who work for most

People who work for more than one person, self-employed contractors, tend to escape the net of regulations. While the authorities are gradually tightening up on the collection of VAT, the sheer complexity and the informality of the small business sector makes this extremely difficult, leaving aside the strongly ingrained Italian habits of tax avoidance and

secretiveness. It is hardly surprising that the "submerged" or black economy in Italy is reckuned to make up at least a quarter of gross domestic product.

At both the small-to-medium sized business level and the

more lowly artisan level there are associations to assist and are associations to assist and lobby for their members, and specialised banks which offer state-subsidised loans for genuine investment. The more enterprising local authorities have set up investment companies of their own to assist. the growth of new companies and help those which get into

trouble.
How is this elaborate rabbit warren-like structure faring in recession? Generalisations are difficult, but the recession had affected Italy less badly than it had other countries, mainly because of Government reluct-

ance to retrench.
.everal industrial sectors and local production centres have barely been affected, while the flexibility and capacity to raise production of the submerged economy has enabled, for example, the shoemakers to fight

off Third World competition.
What does the future hold? Many small companies in Italy exhibit to a dangerous extent the undercapitalisation which is the bane of industry all-ever the country, and technical innovation is difficult though demonstrably not impossible

in such a diffuse structure. It may be significant that the only Italian company to remain dominant in the technically advanced skiboots industry (Nordica) has been run as a fairly large business almost from the start, while its more spun rivals have declined. On the other hand, the con-

tinued success of the shoe industry suggests that small industry in Italy has a considerable future, even in technologically unadvanced fields.

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INFORMATIVE MEETING FOR SHAREHOLDERS OF RORENTO N.V.

to be hold at the Hilton Hotel. Weena 10. Rotterdam, on Thursday, 16th June, 1983, at 14.00 nours.

AGENDA

1. Opening.
2. To discuss the Management Report concerning the state of abairs and the policy pursued in the past mancial year.
3. To discuss the Annual Accounts for the transcrat year 1962, 1983.
4. To discuss the appropriation of the goods.

4. To discuss the appropriation of the profit.
5. To discuss the composition of the Board of Supervisory Directors. Mr. J. M. van Susante will resign naving reakhed retirements. Mr. J. Mitteven will refer by the sun of the proposed to re-elect them. Furthermore, it will be proposed to re-elect them. Furthermore, it will be proposed to appoint Mme. Simone Vell and Messar. J.-M. Levêque, W. Scheel and A. A. Th. M. van Trier Supervisory Directors.

RORENTO N.V.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held at the offices of RORENTO N.V., Willemstad, Curacao, on Wod-nesday, 6th July, 1983 at 11.00 a.m. AGENDÁ

Opening.
To receive and adopt the Management Report concerning the state of allows and the policy pursued in the past insocial year.
To receive and adopt the Annual Accounts for the financial year 1982.1983.
To determine the appropriation of the profit.

To content the Board of Super-

4. To determine the appropriation of the profit.

5. To compose the Board of Supervisory Directors.

J. M. Van Sissante will resign having reacted recirement age.

Missrs. H. J. E. van Beuningen.

J.-Ch. Veige and H. J. Witteween will resire by rotation. It will be proposed to re-olect them. Furthermore, it will be proposed to appoint Misers.

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Copies of the full agendas and of the Annual Report for 1982/83 Can be obtained from National Westmirthe Bank PLC at the address shown above.

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AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA INVITATION TO TENDER

PERUSAHAAN UMUM LISTRIK NEGARA

Sealed tenders, covering design, manufacture, testing, supply and erection of generating equipment for mini hydro projects at 6 (aux) sites in North Sumatera, will be received up until 10.00 am Western Indonesian standard time and then publicly opened at 11.00 am Western Indonesian standard time on September 19, 1983 at the head office of Perusahean Umum Listrik Negara Pusat, Jalan Trunopoyo Blok M1/138, Scope of the works is as follows:

Designing, manufacturing, tosting, finishing, painting, packing for export, insuring, shipping, unloading at the port of Belawan in North Sumetera, customs clearing, transport from the port of Belawan to the site, erecting, testing at site, commissioning and maintaining of the following:

6 sets of Horizontal Francis Turbines 790 kw nominal output complete with governors
6 sets of Synchronous Generators 537 KVA rated output complete with excitation equipment
2 sets of Horizontal Francis Turbines 790 kw nominal output complete with guide vane controllers
2 sets of Induction Generators 537 KVA rated output and associated equipment

2 sets of Induction Generators 937 KVA rated output and associated equipment
8 sots of Turbine and Generator control and protection equipment
20 KV main transformers
6 sets of Switchyard equipment complete with all ancitary equipment
Communications and display equipment and controllarity in the tenderar or his authorisad representative upon cash payment of non-refundable amount of RP 450,000 (four hundred and fifty thousand rupish) from PLN at the following address:

PERUSAHAAN UMUM LISTRIK NEGARA
Directorate of Planning, Jalan Trunojoyo Blok M1/135
Kebayoran Baru, Jakarta Selatan, Indonesia
This project will be finenced from the loan proceeds of the International
Bank for Reconstruction and Development (IBRD) under loan No. 22141ND.
Only bidder(s)/menufacturer(s) from member countries of the International
Bank for Reconstruction and Development (IBRD) and Switzerland and
Taiwan are entitled to participate in the tender.

### PERUSAHAAN UMUM LISTRIK NEGARA

AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION TO TENDER

Tenders for Cooling Towers for the new 2 x 55 MW (units 2 and 3) as an extension to the existing unit-1 of Kamojang Geothermal Power Plant situated approximately 42 km south east of Bandung the capital of West Java, will be received at or before 10,00 hours on Soprember 12, 1983, for public opening at 11,00 hours on the same data at the head office of Perusehaan Umum Listrik Negare, Jalan Trunojoyo Blok M1/135, Kebeyoran Baru, Jakarta Selatan, Indonesia. The Cooling Tower contract comprises the design, manufacture, supply, sraction, testing and commissioning of two Cooling Towers for 2 x 55 MW Geothermal Power Plant Unit.

Beginning June 15, 1983, the tender documents may be examined and collected personally by interested tenderers or his authorised representative upon cash payment on a non-refundable amount of RP 500,000 at the following address:

PERUSAHAAN UMUM LISTRIK NEGARA Directorate of Planning, Jelan Trunojoyo Blok M1/135, Kebayoran Beru Jakarta Selatan, Indonesia

To qualify for award, tenderers must have designed, manufactured, delivered, erected and commissioned Multi-cell Cooling Tower with a minimum total capacity of 10,000 m3/hr of water from a Goothermal Power Plant direct contact condenser unit. The Cooling Tower shall have been in continuous successful commercial operation for a minimum of one year. Tender will be received from qualified tenderers or their authorised representative.

Perusahaan Umum Listrik Negara has obtained a loan from the International Bank for Reconstruction and Development and will apply the proceeds of this loan for payment under this contract Only contractors residing in member countries of the International Bank for Reconstruction and Development and Switzerland and Taiwan ere eligible to tender. Perusahaan Umum Listrik Negara reserves the right to reject any and all tenders and may waive minor irregularities and informalities.

PERUSAHAAN UMUM LISTRIK NEGARA Jakarta, May 30, 1983

### YEMAN ARAB REPUBLIC MINISTRY OF HEALTH/IDA

**PROJECT** 

TENDER NOTICE

International Bid Invitation Notice Manufactures and suppliers from member countries of the World Bank, Switzerland and Taiwan are hereby invited to participate in the bid for the supply of the following types and number of vehicles:—

One -Ten-ton truck

Three —Half-ton pick-up trucks Two —Four-seat sedans
Eight —Four-wheel-drive station wagons
Two —Buses (20 seats)
Two —Mini-buses (12 seats)

Three -Buses (30 seats)

For various units in the Ministry of Health including the Health Manpower Institute under IDA credit 1294 YAR. Bid documents can be obtained from the above address upon a non-refundable payment of U.S.\$100.00 per set. Bids will be received up to 12 noon (local time) on 25 August 1983 and will be opened in public in the MOH/IDA project office at 10:00 A.M. on 27 August 1983.

#### INTERNATIONAL TENDER FOR THE PURCHASE OF SHOP EQUIPMENT AND **MACHINE TOOLS**

INVITATION No. T-06/75

INVITATION No. T-06/75

The Provisional Military Government of Socialist Ethiopla, Ethiopian Transport Construction Authority, announces the release of an international tender for the purchase of Shop Equipment and Machine Tools.

A loan is available from the African Development Fund (ADF) and interested bidders from member countries and participating states of the ADF are requested to collect addocuments during office hours from the Procurement Office Room 106, of the Ethiopian Transport Construction Authority against payment of Birr 20.00 for each set of documents.

Bids will be opened in public in the Conference Room, 4th floor, of the Ethiopian Transport Construction Authority headquarters building on July 16, 1983, at 10.00 hours Addis Ababa time.

Ababa time.

The Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the tender.

ETHIOPIAN TRANSPORT CONSTRUCTION AUTHORITY

### NEW ELECTRONIC TOOL FOR GENETIC ENGINEERS

### Cells shocked and fused

BY DAVID FISHLOCK, SCIENCE EDITOR

ON A TV monitor in a laboraliving cells being steered into contact and fused, making entirely new live entities of two, three or more cells. Unseen forces were guiding the cells and forcing the fusions with an efficiency unknown in the hap-hazard cell-fusion practices nor-mal in laboratories today.

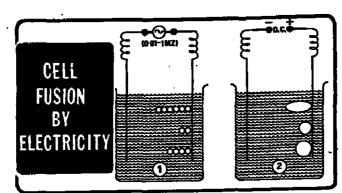
The technique was invented in the West German national laboratory at Julich and first disclosed in 1980. Battelle Geneva Research Centres obtained rights to the technique and has spent two years study-

Their conclusion is that the technique can be engineered into an instrument that takes out most of the skill and re-places it with precisely deter-mined physical conditions for achieving any kind of cell

"A lot of people are interested, but not many are equipped to do the scale-up," claims Dr Peter Bromley, a British "genetic engineer" who joined Battelle from Geneva University a year ago. He be-lieves that in the next year Battelle will have advanced the science of cell-to-cell fusion to This means knowing the precise electrical conditions needed efficiently, simply by setting the

Cell-to-cell fusion by electric fields is one of a dozen blotech-nology research proposals in a portfolio issued this month by today. Battelle Geneva Research Centres. The portfolio is de-Centres. The portfolio is designed to whet the appetite of. First, a weak, inhomogeneous potential commercial sponsors electric field is applied to a susfor projects the scientists pension of fiving course believe they can complete in one to five years, all having "very motion that normally keeps the that may prove particularly cells in constant agitation, and advantageous in making hybridation. for projects the scientists tial " in health-care.

Cell fusion is a vital stage in much genetic engineering; for example, in transferring cloned genes from bacteria to mammalian cells, in the production of obtain monoclonal antibodies, and in plant cell hybridisation. could be achieved effectively, it cell fusion by applying a brief would open immense possibilibut intense direct current pulse, ties for using monoclonal anti- This causes reversible break-



Right, Dr Valentin Stingelin

of Battelle: now scaling the

only 2-50 microseconds.

able membrane.

fused cells quickly revert to a

Dr Richard Haroz, director of

Battelle's Centre for Toxicology

and Biosciences, one of three research centres of Battelle in

Geneva, believes the technique

cell fusion agents which may be toxic to the cells.

Yields of hybrid cells are

claimed to be "orders of magni-tude higher" than the pre-

domas for the synthesis of monoclonal antibodies against

Dr Haroz's division is already

animals—"one of the largest in-

weakly antigenic substances.

sperical shape with an imperme-

to shoulder in a weak electric field. 2. A brief pulse of high current breaks down the

bodies as highly specific thera-down of the cell memoranes at peutic agents, and not just as the point of contact. Pores tools for diagnosis and purifica-appear through which the cell tion, as is the case today.

The Zimmermann technique appears capable of fusing almost any combination of cells. the Battelle scientists say. They envisage an instrument in which the operator will follow the fusion process throughout, through a microscope, identifya point where it can confidently through a microscope, identifyundertake a partnership with an 
industrial company to design a 
novel automated laboratory tool 
join.

> But the crux of the technique is that it is based on electric can be automated to a consider-field effects and so is amenable able degree. Its advantages seem field effects and so is amenable to a degree of control impossible to include the fact that a large fraction of cell aggregates can be fused simultaneously, in a very rapid and synchronous manner. It avoids the need for engineer into those methods requiring such agents as polytoday.

pension of living cells. This the negative charge on the outer cell membrane surface that repels other cells. The a.c. field regiments the cells, lining them up "shoulder-to-shoulder" beachieved with a frequency of

process called dielectrophoresis. The second step is to initiate

aware of which are continuously monitored while breathing exhaust fumes from a at Kobe University at Mercantile Marine who produced the model ships equipped with down of the cell membranes at aware of"-which are continu contents begin to mix-with minimum loss to the surrounding liquid. The parameters of this pulse depend on the cells to be fused, but typically it lasts the basic instrument for cell

> Dr Valentin Stingelin, director-general of Battelle Geneva Research Centres, believes his laboratories have much to offer industry in the tricky stages of trying to scale up laboratory action between a powerful superconducting electromagnet to create new industrial processes. Currently, much good temperature of -260 degrees C to create new industrial pro-cesses. Currently, much good science is faltering here.

Dr Stingelin recounts how his laboratories have adapted to the fast-changing needs of industry in the last few years. Where once they relied heavily on finding clients and sponsors for their own ideas and inven laboratories for ideas that need development "We're open to innovation from wherever it comes."

No longer is industry knock-ing at Battelle's door, seeking innovation. But it is more ready than ever to listen to a well-marshalled case, Dr Stingelin says. Where once he spent highly orientated towards en-giaeering. Its biggest project is a two-year study of the toxicity cases it's nearer 25 per cent, of car engine emissions under-because they ask us to go much taken a few months ago for a further. They force us to find consortium of European motor out what the problems are." His manufacturers. It involves 5,000 staff has had to learn "how to creative about other halation experiments I am people's problems."

PLANS TO CREATE 100-KNOT VESSEL

### 'Dream' ship driven by superconducting magnets

BY ELAINE WILLIAMS

THE JAPANESE talk of dream ship travelling through the water at speeds up to 100 knots powered by an entirely new form of propulsion that consumes hardly any fuel.

Within ten years, Japan could have the first commercial vessel operating, driven by an enormous superconducting electromagnet in place of a conven-tional propulsion system. Researchers are presently seeking the next stage of funding to pursue the development.

Work on this novel propulsion system started in the early 1960s in the U.S. Ten years latetr the Japanese took up the idea with the aim of overcoming the main problem that existing technology could not gener-ate enough thrust to power a

16 hours a day. He estimates that it will take another year and cost SF 850,000 to develop out the theory of the electromagnetic thrust system of propulsion

This replaces the engine shafting and propeller of a conventional ship with a superconducting electromagnet. It uses the thrust created by the reinstalled in the ship and, a magnetic field in the sea water created by charging it with electric current, to move a ship.

#### Propulsion

Prof Saji has been working closely with Dr Akira Iwata, a researcher for Kawasaki Heavy Industries on the dream ship propulsion concept. Dr Iwata is a specialist in low tempera-ture technology and has been involved in specialised research on liquid natural gas, liquid hydrogen, helium and the application of superconductivity— the behaviour of electrically conducting metals at low temperature.

Dr Iwata was a student of Prof Saji and has continued to collaborate with him on the superconducting electromagnetic thrust system

Dr Iwata explained that there Prof Saji believes that a were no real technical hurdles 10.000 ton submersible tanker to be overcome: "The finance built on the dream ship prin- are to be maintained.



Researchers at Kobe University working on a scale model of the 100 knot dream ship, the ST 500, powered by super-conducting electromagnets

the funding," he said.

The next stage of the dream ship's development should be the construction of a 10m prototype. Dr Iwata said that no date had yet been set for its construction though design drawings had already been pre-pared for Japan's defence department. Funding of about £700,000 for the next two years have been applied for. Last year Dr Iwata's proposals were turned down, however he is confident that the project will be accepted by the government

So far the latest model built by the research group is 3.6m long, 70cms wide and 700 kg in weight. Speeds of over 60cm a second have been recorded in sea trials.

is the problem. I think that the ciple could travel at 100 knots. project is still at a very fundamental stage and I believe that netic thrust is that little fuel the state should participate in is needed, the power system is needed, the power system will take up far less room than conventionally powered ship.

The best applications of the propulsion system is in sub-marines, high speed patrol boats, cargo carriers and oil rig positioning systems.

The main efforts of the work will be aimed at bringing down the cost. Dr Iwata believes that the propulsion system could be reduced to one tenth its pre sent cost. For example to build a 2,000 ton ship would cost Y3bn for the propulsion system alone.

### Control

The dream ship has not with-out its problems, however. Very precise control of the temperature is required if the superconducting properties of the metal used in the electromagnet

Market leaders in micro technology 01-741 5111

FORTUNE

Computing

### Japan pools its talents

JAPAN'S latest move in the race to develop advanced computer technology—the so-called fifth generation machines has been to bring together 40 of the country's top young computer scientists.

Handpicked by Mr Kasubiro Fuchi, a pioneer of Japan's computer industry, the scientists will work at a government-funded laboratory in Tokyo. All the researchers are on loan from eight Japanese computer

manufacturers.
The work of the new lab-designated the Institute for New Generation Computer Technology—is being co-ordinated by the Ministry of International Trade and Industry which is spending U.S.\$40m over the next three years on the project. Mr Fuchi said that the institute's first priority is to de-velop a computer with a different internal structure than conventional machines, which is much simpler to program. Presently the Japanese scientists at the institute are working with a computer language called Prolog which is a British de-

Japan is not alone, however, in its desire to develop the next generation of supercomputers. Companies such as IBM and various U.S. government sponsored projects contain many of the elements of the fifth generation computer project now underway in Japan.

#### **Electronics**

### Regulator

on/off power control, memory power supplies with back-up power, Dialogue Distribution have a dual output, logic con-trolled voltage regulater. This is the LT1005 developed by Linear Technology in the U.S. More information on the device is available on 0276

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LEFEVRE GALLERY, SO, Broton St., W. 01-493 1572/3. CONTEMPORAR PAINTINGS ON VIEW, MOR-Frt. 10- and Sets. 10-12.45.
CRANE KALMAN GALLERY, 17/ Brompton Rd., SW3. 01-584 756/ Collector's Items III. Monet, Brauch Viaminck, Nicholson, Moore, Ocsas Picasso, Dury, Ernst, Sotherland, etc Daily 10-6, Set. 10-4.
ROYAL SOCIETY OF PORTRAI PAINTERS 89th Annual Exhim, of Con- temporary Portraiture. At The Ma Galleries, The Mail, SW1, Mon-Sa 10-5. Until 28 May, Agin, 51.
RICHARD GREEN, 44. Dover St. W1 01-491 3277. BRITISH LANDSCAP PAINTINGS. Daily 10-6, Sals. 10-12-30
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LEUMI INTERNATIONAL INVESTMENTS N.V.

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BANK LEUMI TRUST COMPANY

Royal Academy Summer Exhibition

Revisiting the middle ground

apan

ilents

ectronics egulator

- 1

MPANYNOTE

1256 P.CADEM

\* assished

to be seen on the walls of Burlington House. There is one outstanding new building proposal the Inter-national Garden Festival Hall designed by Arup Associates. This is a large glazed building with a beautiful form. It will be a worthy successor to the great glass houses of Decimus Burton.

The clarity of its plan and the elegance of the design makes this an outstanding achieve-No one will be able to miss the presence of Britain's leading high-tech architect, Norman dome on top of the existing Poster. A model of his Hong building. Post modernism Foster. A model of his Hong building. Post modernism Kong and Shangbai Bank — obviously does not go down well which was much better displayed in New York recently—

There is a token entry or two dominates the room while out
by John Simpson who has the room only depress the room only depress the room while out
There is a token entry or two dominates the room while out
by John Simpson who has visitor.

Select of deja vid in this sittle occurred in advancing the art of lot that a visit to the architecture this year's per
ture room can only depress the formance can only depress you.

architecture can produce beautiful drawings it is almost

incredible that some of the ancient and not so ancient

leaders of the profession can get away with some of the rubbishy presentations that are

would be unfair to deny that the Royal Academy has changed is nather more of it than is at 20 years ago, and that the process continues, and yet... phus are again with the sun shining fairthest corner a thing of the private alless. It is altogether a feet that must remain at the heart of the Academy's and that the process of improve that must remain at the heart of the Academy's and the membership is immeasurable ably stronger now than it was ably stronger now than it was is nather more of it than is at 20 years ago, and that the process of interest corner and well spread veterans of that period, admirately able artists among them, had I here again with the sun shining fairthest corner a thing of the the problem is the problem is the problem in the problem in the problem is the problem in the problem is the problem in the problem in the problem is the problem in the problem in the problem in the problem is the problem in t

example, which have so aften at random, that you must familiarity. But when we look carried the strident and the over-blown, given over new to cool abstraction or elegant refinement: Scott, Stephenson, Pasmore, Moyniban, Comp. Flavia Irwin and Sandra Blow, with David Tindle's deceptive and obsessive reticence close at any obsessive reticence really do begin to declare themselves if only we remember what was facre ten was evidently roo late to put the obsessive reticence close at any obsessive reticence close at any obsessive reticence really do begin to declare themselves if only we remember what was facre ten was evidently roo late to put the obsessive remember what was facre themselves again at the work itself, the differences really do begin to declare themselves if only we remember what was facre ten was evidently roo late to put the observation of the control of the cont

and obsessive reticence close at hand and rightly winning the major prize, £5,900 from Johnson's Wan (other prizes from Charles Wolfaston, Pimm's, George Rowney, and greateral sponsorship from 1981).

The abstraction sits quite at the mast walk the means devised support of practising professional sponsorship from 1981).

The abstraction sits quite at the summer show, better than its own membership, though it remains the object of mateur ambition, engages the sent in and the means devised support of practising professional sponsorship from 1981).

(at tast, for the inivate views at least) for the Summer Show. It is altogether a fascinating that must remain at the heart show, much stronger than it inf the Arademy's affairs.

This year's show, the 215th, is undemonstrative, even difficult in its selection and Alams. Stewers, Ayres, de arrangement, the principal end walls in galleries II and III for ham, Lessore: only a few manes example, which have an aftern

and obsessive reticence close at must wait.

one by the maverick architect

Roderick Gradidge shows a very

Every year it is harder and side in the car park a giant designed a har near London harder to imagine why any fragment of the polished and Bridge where he has saddenly prestige attached to the Royal architect which their salt glazed structure glowers rediscovered the lettus rolumn. Academy. The little from account article in the pastel colours of the art or architecture. It has no devoted to architecture is an architecture in the pastel colours of the art or architecture. It has no rounded with mediocritics with engineered projects what the pastel colours of the art or architecture. It has no rounded with mediocritics with engineered projects what the pastel colours of the art or architecture. It has no rounded with mediocritics with engineered projects what are of the worthwhile exhibits remains? The dazen or so cludes his firm's masterpiece, beg for funds. existence. It is much more like allowed to display their wates Churchill College at Cambridge.

and the mediocre curiosity shop

always appears to be so, the style and density of the hang,

the disposition of the galleries,

even the physical nature of the

place itself, all contributing to an insistent feeling of

familiarity. But when we look

the other changes, for it is now

a cabinet of curiosities than as an anomatic right.

It looks well today with its a serious exhibition about the state of the art of architecture Academician, Etho Goldsinger, presence among well landing Britain in 1983.

Academician, Etho Goldsinger, presence among well landing britain in 1983. At a time when any student ings of his 1960s housing estate It is hard to believe that for show in almost any school of in North Kensington. What a the past two years the Royal Colin Amery visits the RA's

bitim spaces. Loan exhibitions of drawings from the British Architectural Library with scholarly cata-logues could, with a mixture of international and contemporary shows, lectures and films, make the R.A. a credible centre for the encouragement of a higher standard of aesthetic under-

The Royal Academy could

easily allow two or three of its

fine galleries to be used on a regular basis for an intelligent

and enjoyable series of archi-tectural exhibitions. It occu-

ples the best site in London, far more conveniently located than either of the RIBA exhi-

selves may supply a gratifying gloss to the Summer Show—

and with the likes of Blake, Hoyland, Allen Jones, Elizabeth Blackastler, Tindle, and Green-ham among them, that is really ao surprise—it is the rest who sumply its substance and give it its characteristic flavour. The

Academy is back firmly on the

middle ground it always meant

The sculpture is a subject in

itself, I am increasingly per-suaded that its representation

to the Summer Show is unfair for being so necessarily con-strained. Any strictures against particular pieces would be therefore arbitrary and invi-dious. All I shall say is that

monster, and a fitting 90th birth-day salute from the Academy to

a great artist; and that the case for a separate sculpture open

exhibition at the Academy could

WILLIAM PACKER

at least be argued.

The Summer Show until August 28.

Everyone must have given up hope that the architect pre-sident will straighten his mind on the subject and not smock and make the Academy particularly interested in the a centre of excellence. His enlightenment of the public.

No one would believe that miserable failure for architecture. It is time for some new blood and some new ideas tural ideas, there is such a and a little imagination. If you sense of dea vu in this little believe in advancing the art of

standing of the art of architec-

ture.

### Robert Cohan Gala/Sadler's Wells

#### Clement Crisp

"Trank you, Robert Cohan" was the message emblazoned on the tee-shirts worn by London Contemporary Dance School students at last week's gala honouring Mr Cohan's sixteen honouring Mr Cohan's sixteen years as gaide, inspiration and company, hoped he might do bring American contemporary and school. And, watching the heautifully trained, watching the heautifully trained, beatifully skilled bodies of the LCDT dancers in his Class which closed the performance, we could see every reason for this graits as a teacher, his ability stilled bodies of the LCDT dancers in his Class which closed the performance, we could see every reason for the troupe in New York, and the troupe in New York, and the exultant performances that made this gala so thrilling, are the visible rewards of Mr Cohan's endeavours. The invisible but greater reward is the stature of the troupe, its endeavour from his artists, as manifest in his dance works, his Forest, works which, like the first impetus behind scheel tion.

The recent great success of the troupe in New York, and dance cult made this gala so thrilling, are the visible rewards of Mr Cohan's endeavours. The invisible but greater reward is the stature of the troupe, its endeavour from his artists, as manifest in his dance works, his Forest, works which, like

enthusiasm

the first impetus behind scheel

Class, indicate something of the the creative range of his choreography, and illuminate sixteen years in the sure but steady progress of the London what Robin Howard, whose was Contemporary Dance organisation—and the visual claim with which he has signed his Contemporary Dance organisa-

aged—powerful clean, bright in definition and apt in expres-sion—and the visual clarity with which he has signed his every creation, are now signifievery creation, are now signifi-cant and potent forces in the dance culture of our time. And there is still, happily, much more for him to do. Not a panegyric, for all my admira-tion, and certainly not an obituary, this notice is my own tee-shirt expression of thanks. Thank you, Robert Cohan, And, honour where honour is due, thank you, Esso, for sponsoring thank you, Esso, for sponsoring

### Bugsy Malone/Her Majesty's



Jeremy Gilley

Lewis), who comes to his Angeles. She shares a pretty assistance, is so talented a song with a top-hatted-andfighter that Bugsy gets him a manager as a pro, and so makes another \$400. I'm happy to say there's no conventional happy end; the last song of the even-ing, apart from reprises, is called "Down and out," and we finish with a tremendous all-in

song with a top-hatted-and-tailed chorus; and there is a rousing dance number by Fizzy (an enchanting black boy, Scott Sherin), who also shows up well as a singer when he tells us he was born to be a dancer."

Don't expect to see any infant Oliviers or Gielguds. What these young people are doing is copying what they to Hollywood and be a star. He Kids' games are always unacts as driver for Fat Sam fairly slanted towards the boys, have seen on the movies and (Lee Ross), a gang leader, in and so is Bugsy Malone. But they seen on the movies and this attack on the rival gang of Blousey is granted a magnificent that. I suspect the songs are which be is paid \$200. He is backdrop of "Hollywood" in Gilley, aged 14, has an unimpropolishely musered and loses shiping applied letters just as broken voice but when he is which be is paid \$200. He is backdrop of "Hollywood" in Gilley, aged 14, has an un-immediately mugged and loses shining capital letters, just as broken voice, but when he is the lot; but Leroy (Darren it is in the hills beyond Los singing he can reach some or farther as called for.

where round the A at the bottom of the bass stave. Any attempt at serious acting would spoil the illusion we have of seeing a lot of kids enjoying themselves. On the other hand, they are pretty well organised by Mr Dolenz, and the choreo-grapher, Gillian Gregory, has made sure that their not-too-difficult days revisions difficult dance routines are carried out keenly and smartly. Mr Koltai's three-decker set is a wiz, giving us an instant sight of a score of different places with the aid of Joe Davis's lighting. The second

### Mozart's Die Entführung

### David Murray

Die Entfährung aus dem will carry everything if left Wood's production - much criticised in 1980, somewhat revised now, but still a sad tion between pit and stage will be tightened the spoken dialogue will be less halting, the new cast-members will find their feet. Ryland Davies' Belmonte will recover his voice (strained and scoopy at the start, he revived in the middle and then went into a lustreless decline). The production, I fear, is irretrievably subfear, is standard.

as adaptor, and played with Lim worth of toys designed by Ralph Kultai, as well as some singable music by Paul Wil-

There is a simple plot to

hang the excitements on. Bugsy (played on first night by Jeremy

ting casts to meet the licensing regulations) loves Blonsey

(Jolese Waller) who wants to go

It looks like a well meant, tolerably competent rescue job on a dim operetta. For any-

Seruil returned to Gynde- alone, the production either bourne on Sunday in Peter hurries past or, more often. smothers it in stage-business. Where a dramatic effectsuspense or sudden joy or dis-may—needs pertinent direction. specimen. The performances it is fudged. Pedrillo's magical are certain to improve during serenade is punctuated by the run: the rough co-opera- crude alarums; the rapturous reunion-quartet is played staggering over cushions in what seems to be the Credit Card Room of a Turkish brothel, voyeur (attached to Constanze like a pointless echo the Marschallin's lit

Mohammed). The new Constanze is Eliza-beth Pruett, an interesting, slightly fragile soprano with two demeanours, passive melancholy and passive delight. Her "Ach, ich liebte" had serious one who holds Die Entführung "Dove sono" ambitions; "Trau-to be unimprovable in its own innocent terms. It is an and shapeless — Mozart would affliction. Bluntly, Mr Wood never have written for such a seems quite insensitive to the tempo without elaborate ornatespressive power of Mezart's mentation; "Martern aller music. In the finale, which even distributed at key points where it Arten showed unexpected grip Ozawa kept to an impressive Stravinskyan.

### Seiji Ozawa/Festival Hall

### Max Loppert

assiduous and discerning ears, is nearly a very fine Stravinsky conductor indeed; yet in each of the two Stravinsky perform-ances given by the Philhar-monia Orchestra and Chorus under his leadership on Sunday. there were passages of overassertive detailing, of excessive underlining and point-making, that kept the whole work from being completely realised.

The tenor line of the chorus

to the opening movement of the Symphonly of Psalms was subject to roughness of tone and pitch. This fleeked and spotted the impression; but even later on, when the absolute precision demanded by the music were beginning to be found at all vocal and instrumental levels,

Seiji Ozawa, a conductor of steady tempo, the properly energy, a vigorous and pointed timeless, airborne majesty was technique, and remarkably never quite forthcoming enjoyment of sound took prece-dence over full comprehension of sense.

Ozawa's Oedipus rex was very exciting: powerfully forged, urgently shaped, sung with commitment and security by the chorus and with splendid authority by the soloists—Robert Tear, Jessye Norman (immensely grand, statuesque, and passionate as Jocasta). Gwynne Howell, Martyn Hill Alan Rickman, matter-of-fact, crisp, and unrhetorically poetic in his verbal emphases, was the best narrator I have heard. Yet here again, the whole work lacked wholeness—whether in the da capo of Jocastra's aria. softened and slowed-down for effect, or in the final choral narration, driven to white heat one tended to pay attention to and massive climaxes, the interthe way phrasing was being vening presence of the conmoulded and punctuated, not to ductor was indicated in a way the gathering momentum of the that seemed essentially, and distractingly.

### Arts Guide

Dears each Friday.

architecture exhibition—

and leaves depressed

rigid and fleadly place it looks Academy has been flirting with in the drawings and the reality the idea of an exhibition of

is worse. There are several of modern architecture. As a body it is clearly not of one

### Music/Monday. Opera and Ballet/Tuesday. Theetre/Wednes-

### WEST GERMANY

Opera and Ballet

Berlin Deutsche Oper: Lucia di Lam-mermoor has Edita Gruberova in the title role. Die Hochzeit des Figane tute tote. Die richert des riger ro, produced by Götz Friedrich, has Lucia Peacock and Wallgang Bren-del in the main parts. This week's highlight is Puccini's La Boheme with Mircile Freni and Burry McDaniel. (34381).

niel. (34581).

lamburg Staatsoper: Die Wunderseene Schustersfrau by Berod Alois

Zimmermann; Die Hochzeit des Figaro with fine interpretatione by Judith Beckmann and Harald Stamm. (351151). Prankfurt Opera: Parsifal in the ultra

modern production; by Rinh Berg-haus; Die Hochzeit des Figaro for the last time this season; Tosca, sung in Italian, with Raina Kabaivanska in the title role. Stravinsky's The Rake's Progress rounds off the

The Rake's Progress rounds off the week. (25621). blogue opera: Umberto Giordano's rarely-played Andrea Chenier, produced by Willy Decker, is premiering this month. It is conducted by Nello Santi and has Ernesto Veronellin in the title role. Fidelio with a cast beaded by Jon Vickers and Johanna Moier, was revived triumphantly. Further performances are Don Pasquate and Turandot. Pasquate and Turandot.

Munich Bayerische Stantsoper: Modome Butterlly has Gwyneth Jones in the title role. La Boheme stars Katia Ricciarelli in the part of Mimi. La Cenerentola, a Jean-Pierro Pon-nelle production, features Barbaro

Daniel and Claus Hansjoe. Don Pasquale with an all-lialian cast is of re-spectable standard. Ein Maskenball with Ghena Dimitrova and Piero vision is seel worth a visit. The new production of Orpheus and Eu-rydie, conducted by Eugen Jo-chum, has Brigitte Fassbänder, Lu-cia Popp and Julie Kanimann. (21851).

taatseper (5324/2855): Der Barbier von Sevilla, Elektra, Tannhäuser. Volksoper (5324/2657): Gasparone, Der Zigennerbaron, Der Zarewitsch, Die Zauberlitte. Raimundtheater (576626): Boccaccio

LONDON

Royal Opera, Covent Garden Die Royal Opera, Covent Gantlem Die Meistensinger revival, not quite on the level of last season's, still has a good deal to commend it — notably Colin Davis as anonductor and Hans Soin, Laxia Popp, Gwynne Howell and Geraint Evans among the cast. Don Giovenni shows off a dashing new occupant of the title role, Samuel Ramey, one of the world's best Leposellos in Stafford Dean, and a commanding the of ladies in Mmes Plewright. To Kanawa and McLanghlin; Rolf Beuter makes his first conducting agnerance at Co-

McLanghlin; Rolf Heuter makes his first conducting appearance at Co-word Garden. (240 1085). Colliseum (8383161): Festival Ballet with Romeo and Juliet and a new triple bill. Sadler's Wells, Rosebery Avenue: Lon-don Contemporary Dance Theatre triple bill celebrating the work of



this is a fascinating moment in the development of architec-

Geraint Evans at the Royal Opera, Covent Garden .

Robert Cohan, followed by Cohan's Dances of Love and Death. (2788916).

Verdi's Luisa Miller conducted by Gu-seppe Smopoli in a new production by Luciano Damiani with Luciano Pavarotti as Rodolfo, Nadine Denize as Frederica and Montserrat Ca-balle as Luisa. Paris Opera (7425750). Indes Galantes, Jean-Philippe Ra-

as Indes Galantes, Jean-Thippe ha-mesn's opera-ballet in a new pro-duction conducted by Philippe Herreweghe, Choreography by Vio-la Farber. TMP-Chatelet (261 1983). Menback's La Belle Helene in a new production conducted by Alain Lom-bard at the Opera Comique (2960811).

Colourful Mimes, acrohats and dances of the Peking Opera at the Palais des-Congres (758 1458).

May 27-June 2

New York City Ballet: New York premiere of Twyla Tharp's Once Upon a Time, to music of Adexander Glazenev and starring Mikhail Baryshnikov highlights the week's mixed repertoire. New York State Theater, 1970 58701

repertoire. New York State Theater, Lincoln Center (\$705570). Les Grands Ballets Canadiens: 25th anniversary of this versatile group, with a premier homage to Fred As-taire, in seven sections to various songs, as part of the mixed genres in their fortnight programme. City Center, 55th E. of 7th Av, 581 7907).

Barber of Seville (Athenaeum): Chicago Opera Theater production, in English, stars Cynthia Muzzer as Bosina, Robert Orth as Figaro and Abram Morales as Count Almaviva, with Mark Fint conducting, (2936 N. Southmert 382-1855)

Southport, 363 (555).

The Next Step (Anditorium Theatre):
Dancer and choreographer Carrie
Stern shows an Eastern influence in
her work that combines autobiography with homage to American popular arts as well as reflections on such contemporary themes as the Iran-Iraq war. (70 E. Congress, 9222110). TTALY

Milan, La Scala: Schönberg Tryptich and Cosi Fan Tutte conducted by Riccardo Muti.

#### F.T. CROSSWORD PUZZLE No. 5,184

**ACROSS** 1 Capital maxim in time of conflict (6)

4 The courtesy of the townsman (8)

10 Bill can sing well, it seems (7)

11 One who swears or turns into a drunkard (7) 12 They may be pierced or just pricked (4)

13 Application for injury benefit, perhaps (10) 15 When I'd get into a brawl? 16 Arab that is bound to be a

wanderer (7) 20 Independent air of Ned's 21 and 24 Violence run forth, perhaps (6, 10)

26 Stand for no bull (4)

28 New moral we find in old writer (7) 29 Close shaves? (7) 30 Dog Latin as a composition 31 Where French exchange

rates would be ours? (6)

1 Send a letter, but don't expect anything to come of it (5, 3)

2 Location for a bank-holiday? 3 Altogether it's sour, but one drop is sweet (4)

5 Dependant paid for help 19 He is confused with praise, when needed (8) being a self-righteous chap 6 No jiggery pokery is beyond (8)

7 ln short, it's an imposition 23 Give a rise to one in the 8 One hundred in a cathedral city, said to be poor (6)

9 Threatened strike doesn't come off (5) 14 Agitated speculator distributes shares (7, 3)

17 A host of local supporters 18 A song about a subject one can't stand (8)

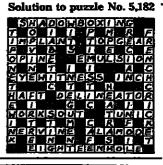
being a self-righteous chap

the grasp of the director 22 War is a subject of many (5, 5) a novel article (6)

army (5) 25 They have tense voices and

moods (5) 27 The spirit of play? (4)

The solution to last Saturday's { prize puzzle will be published with names of winners next



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### **FINANCIAL TIMES**

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Tuesday May 31 1983

## Two cheers for Williamsburg

recovery has dominated the atmosphere and the outcome of the economic summit at Williamsburg. This economic optimism has allowed the seven heads of state to agree that the emphasis on containing inflation must remain and that the squeeze on structural budget deficits must continue. It is a most valuable international endorsement for Mrs Thatcher and her policies in the run up to the British general election. Whether it is an example of collective complacency to rival that of the leaders' last meeting at Versailles will only become apparent long after this election has taken place.

Beyond a sustained and newly structured commitment to the new economic orthodoxy, the other notable element was the joint statement on arms policy. It was something of a coup for the U.S. president that he could persuade European leaders of varying degrees of reticence— from a delighted Mrs Thatcher to a troubled President Mitterrand-and Mr Nakasone in Japan to come out with a united response to the latest Soviet threats to increase still further the number of intermediate range nuclear weapons deployed in Europe.

#### Complacency

Much of the current unease within the alliance is ascribed to the lack of European faith in the style and motives of the U.S. president. The arms state-ment—though it had nothing directly to do with the raison d'etre of these yearly meetings —was the most tangible sign from Williamsburg that the President was able to assert himself as Western leader and persuade his allies that a show of defence solidarity was de-

An important test of a modern summit is the postures adopted by the leaders and their ministers before their

the Western recession deepened and the international banking crisis broke.

There may be scope for a repeart after Williamsburg—and once again along the old Franco-American axis of tension—but the excuses for such a row have this time been studiously reduced as far as pes-sible. The U.S. has managed to restrain its zeal in the matter of East-West trade. While President Mitterrand's idea for a new Bretton Woods monetary conference has been resisted its underlying motive has not been ignored by any means.

means. The meatiest part of the communique last night was aimed at tempering the exchange rate volatility and the lack of economic policy co-ordination which the French president finds so worrying. The govern-ments have agreed to develop further the process of consultation on economic policy which was set in train at Versailles.

To this end the five major economies, the currencies of which make up the Special Drawing Right of the IMF, will co-operate in a regular medium-term review of their fiscal and monetary relicies through the monetary policies through the IMF's "surveillance committee." The aim will be to react to unrealistic exchange rates and to reduce exchange rate volatility by a greater degree of convergence of economic policies.

This has involved setting guidelines along which these different national policies should converge. It is in these guidelines that the current orthodoxy of monetary and fiscal discipline are most visibly

We shall have to see how this more structured quest for economic convergence works out in practice. But if there was one pointer to be wished from this summit it was towards greater acceptance of the interdependence of economies own media immediately afterin the modern world and
wards. It was the conflicting greater willingness of governstatements on East-West trade
and the value of exchange rate
consideration in managing their intervention by central banks which quickly gave Versailles williamsburg has produced no such a sour feel—and only later that the general impression of in the right direction.

### The Alliance all over the place

Election campaign so far has been the steadiness of the opinion polls. If anything, the Conservative lead has strengthened by a couple of percentage points or so, so that the Party's standing is now somewhere between 45 and 50 per cent. Labour has fallen back by about the same amount so that it is now in the very low thirties.

As for the Alliance, it may take some comfort from the marginal increase in support shown by some polls published during the holiday weekend, but it is still registering only around 20 per cent which would give it fewer seats than it had in the last Parliament.
With polling day little more than a week away, two conclusions can be drawn. The first is that the Tory lead looks pretty well impregnable and the second is that the chances of a Labour victory look remote in the extreme. The more interesting questions therefore concern the Alliance. Why has it been trailing so badly so far and can it pick up significantly

It was clearly concern about the poor performance to date that added urgency to the meeting of Alliance leaders at the weekend. Mr David Steel, the Liberal leader, we are told, will more into the background.

### Confusion

Yet it cannot be only Mr Jenkin's image as a slightly elder statesman or the confusion sometimes sewn by the twin leadership which has caused the Alliance to sag beyond expectations. Far more probable an explanation is an inability to establish a separate identity between the two major the

To put it crudely, whenever leanings, they begin to sound not all that cheering. like Mrs Thatcher-Dr David

is quite untrue, as anyone who Alliance does not look like a has read the manifesto, Work- clear enough alternative to ing together for Britain, will justify a major switch of votes.

ONE OF the most striking testify. There are far more features of the British General policies there than contained policies there than contained (say) in he Conservative Party's equivalent. Some of them are rather good, like the plan for the complete integration of the tax and benefit systems. It is absurd that at present we should have 44 different means test. Here the Alliance could out-Thatcher Mrs Thatcher. Yet the plans for reform have hardly emerged as a keynote of the Alliance campaign.

Some of the policies are rather bad, like the proposals "agreed norms." "a single, independent assessment board for public service pay. and a "Pay and Prices Commission to monitor pay settlements in large companies." That really does sound like Labour Mark II or even III. For if there is one thing that the present Government has proved, it is that it is possible to have wage negotiations without in-volving an excessive bureau-

### Achievement

True, unemployment and the a new discipline and there may still be problems in the public sector. It may also be true that wages are still rising too fast. As the accompanying article Liberal leader, we are tulu, win now play a more prominent suggests, it might need a wage part in the campaign with Mr round of only 3-4 per cent to Roy Jenkins—still the "Prime produce a virtuous circle in Whinister designate" — falling which international competitive ness rose while sterling remained firm. But the great achievement under the Thatcher Government has been to create market place, both at home and abroad.

The Alliance has only a few days left in which to establish a more distinct personality than it has managed so far. It ought to be able to attack the bulk of the Government's economic policies more tellingly than it has done to date. Read closely, the Alliance leaders allow the latest trends survey from themselves their natural radical the CBI, published today, is

The Alliance might also show Owen is only the most obvious more humanity than the Tories example-and whenever they on social matters and on unretreat to the so-called politics employment. Some of the Tory of moderation, they begin to candidates, for instance, seem sound at best like a Labour to be neither very liberal nor very internationalist. For the It is sometimes said that the moment, however, the opinion Alliance has no policies. That polls are probably right: the

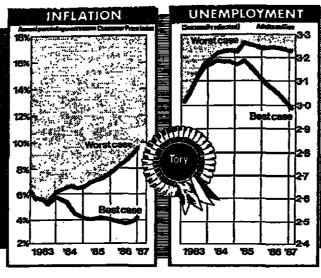
### BRITAIN'S ECONOMIC FUTURE

# There are risks on all sides

By Max Wilkinson, Economics Correspondent

UNEMPLOYMENT

INFLATION



three main parties is not only much wider than in any election since the war, but in many ways more confusing.

Even the apparently straight-

forward Conservative approach is hedged with uncertainty, since it is, in an important sense, the most radical of the three. Unlike the Alliance or Labour strategies, it represents a clean break with the 30-year tradition of post war economic

However, in spite of the differences of strategy, there is one major question which is crucial to the plans of all three parties: how can they avoid the traditional British problem of wages running out of con-

This is the central question which emerges from a series of computer simulations designed to test the possible effects of the three programmes and just completed by the London Busi-The LBS analysis underlines

the extent to which the three programmes offer different cominations of risks and benefits. Broadly, the Conservatives offer the safest bet financially, but the least improvement for unemployment in the medium term. The Labour programme could bring down unemployment, but not by as much as the party hopes and at the risk of a financial crisis if it fails. The Alliance comes somewhere in between with higher risks of inflation than under a Conser-vative plan, but with a faster reduction of unemployment in the medium term at least.

or Labour government, rising until 1985, though
It should be stressed that then start to level out. they are based on a number of fairly arbitrary assumptions about how the policies might in practice be implemented. And, in case a Health Warning is needed, the graphs derived

HE choice of economic tainty attached to each policy policies offered to and raise a number of interest-Britain's voters by the ing questions about them. Firstly, they suggest that the Labour party's hopes for reduc-

ing unemployment to 1m in the life of the next Parliament are over-optimistic. The LBS thinks over-opumistic. The LBS thinks that even on a favourable view, it would be unlikely to get unemployment below 2.5m by the beginning of 1987. a cut of some 600,000 compared with the level expected by the end of 1987.

The Alliance's hope for re ducing unemployment by 600,000 in two years could be achieved, in the LBS's view, partly through special employment schemes; but even in the "best case" it thinks recovery might be too weak to sustain the fall in unemployment after the

This is because it foresees the possibility of renewed pressure on company profits if wage increases move ahead of prices. Companies, it is assumed, would follow the pattern of 1980 and 1981, by keeping a tight rein on labour forces to reduce

On the wage front, the LBS suggests that for the Conservatives a wage round of 3 to 4 per cent could produce a virtuous circle in which international competitiveness rose while starting remained firm while sterling remained firm, and public borrowing could fall while taxes and interest rates were cut, thus belping to keep down prices and wage demands and to stimulate investment. On the other hand, a wage round of 7 to 8 per cent next year could start the opposite process with a vicious circle of inflation, financial squeeze, ris-To illustrate this range of ing unemployment and inpossible outcomes, the LBS has done six simulations for the done six simulations for the "best case" and "worst case" the LBS's simulation suggests under a Conservative, Alliance or Labour government.

The medium term at least. Institution, infancial squeeze, rising unemployment and institution on government and institution of the control of

Much the same uncertainty would face an Alliance government even though its objectives are different. If its wage policy were broken, and inflation started to accelerate, the comfrom this exercise should not come under pressure, the be used to pick a winner on June 9.

They do, however, illustrate the different ranges of uncer
the graphs derived periods of under pressure, the growth in output would slow down, and unemployment would start to rise again. The LBS suggests that on these assump-

THE GRAPHS summarise six possible paths for the UK economy, depending on whether the economic policies proposed in the election manifestos were successful or ran into difficulties. The assumptions used by the London Business School for these simulations are not the only ones that might be used but they help to illustrate the range of possibilities.

#### CONSERVATIVES

Best case: The pound remains firm at about its present level, interest rates fall somewhat faster than expected and wage demands continue to moderate, with average earnings rising at an annual rate of 41 per cent in the spring of 1985. Low inflation leads to some easing of policies. Worst case: Wage settlements do not fall significantly in 1984, Average earnings rise at 7 to 8 per cent. Partly as a result, sterling falls steadily. This increases inflationary pressures and forces the Government to take further restrictive measures.

#### **ALLIANCE**

Best case: Sterling falls initially by around 7 per cent but the rise in earnings is controlled for two years by a wage policy. There is an initial fall in unemployment. However, the rate of increase in average earnings starts to accelerate from 1985 and a squeeze on profits puts unemployment on an upward

Worst case: Sterling falls more sharply, generating greater inflationary pressure. Incomes policy is not successful in containing average earnings which rise about 2 percentage points faster than inflation in 1984. Direct action to cut unemployment is less successful and higher wage settlements reduce comptitiveness and slow down growth.

#### **LABOUR** Best case: Sterling falls by about 15 per cent after the election

but remains steady thereafter. Average earnings rise some 3 to 4 percentage points faster than the inflation rate, which is checked by price controls. Special jobs schemes make a substantial initial impact on unemployment and therefore the extra spending programme keeps the total moving down.

Worst case: Sterling fails more sharply to about 20 per cent
below its present level. Inflationary pressure helps to push
wage rises up substantially faster than prices. Real interest
rates rise as a result of increased Government borrowing. International agreement is not successful in boosting exports, although imports are restrained by controls. However, in 1984 rising inflation causes the pound to fall again and the Government is obliged to defend it by tightening policies and reversing some of its high spending plans. Nevertheless, wages rise at an accelerating annual rate.

regime might succeed in cut- as at present, on tight monetary ting unemployment by only and fiscal controls, a slow rate the Labour party has proposed 200,000 after four years, at the of growth and the deterrent a wide range of controls and price of raising the inflation rate effect of high unemployment to arrangements designed to to around 9 per cent.

The uncertainties surrounding a Labour programme are control prices.

• The re-introduction of exclearly much greater. Even the

• The Alliance would use tax change controls to divert the ing a Labour programme are party's own economists have shown that success in controlpetitiveness of industry would ling wages could be decisive in the producing success or failure.
slow To tackle the long-standing would problem of wages, the parties LBS have three very different pres-

tions a "worst case" Alliance • The Conservatives will rely, en wages down. A firm change rate may also help to

> cuts to depress prices, and the threat of tax increases to deter companies from agreeing exces-sive wage settlements. If this failed, it would impose a statutory incomes policy.
>
> The Labour party remains deeply divided about how to equal to the planning agreements with trying for.

restrain wages although it major companies recognises that without some 

A national economics. recognises that without some form of restraint its expansion plans would soon run into a financial crisis. Its manifesto avoids mention of incomes policy and talks only of discussions with the trade unions about the impact of "costs."

On wider economic policy, the Conservatives are not planning

Conservatives are not planning any significant reflation of the economy. Instead of trying to break out of recession by increasing government borrowing, as their predecessors would have done, they plan to continue their efforts to reduce deficits to only 2 per cent of output by 1985-86, a very low figure by international stan-

However, there is no modern precedent, in the UK at least, to precedent, in the UK at least, to help voters judge whether these tight financial policies can provide the basis for a significant cut in unemployment during the cut in unemployment during the five years.

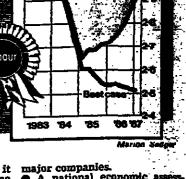
This is the main risk which persuaded the Alliance to offer a much more modest fiscal injection, backed by a more expectation.

The Conservatives may be experimenting without a precedent, but on the other hand, Labour's more traditional remedy of increased public spending would be on a scale far greater than any peacetime example — including probably the 1972 "Barber Boom" under the Heath government. The exact size of Labour's

planned reflation is not spelled out in its manifesto, although an expansion of £11bn — almost one and a half times this year's public sector borrowing target
— was proposed in Labour's
alternative budget in March. Even if this were phased in over more than one year, it is clear that major strains would be put on the financial and

labour markets, with an obvious danger of an old-fashioned sterling crisis.
To counter these pressures, modify the markets' beha These include:

overseas flow of institutional investment into government Administrative action to curb imports including perhaps



UNEMPLOYMENT

 A national economic ass ment which would include trade unions and "take account of the impact of future cost increases in the future rate of inflation."

The major question about Labour's prescription is whether these controls could be effective in preventing the policy from being swallowed up in a series of financial earthquakes.

Even though it has said that it would welcome a "more competitive" level of sterling too steep a fall would present it with the danger of a new infa-tionary spiral. Higher import prices resulting from the de-valuation could lead to increased wage demands, which in turn could scare the markets into marking sterling down even

plicit pledge to control wages, if necessary by a formal incomes policy.

The Alliance is more specific

than the Labour party about the exact size of its stimulus. It says it would increase public-borrowing to around £11bn (compared with the current year's target of £8bn).

This appears to be about half the increase in net borrowing that would be required under Labour's plans. Both the Alliance and Labour

base their strategies on an easier monetary policy, al-though neither has explained the extent to which they would be prepared to "print money"
The Conservative option appears the safest financially, but according to the Business School and most other forecas-ters, offers little hope on unemployment for the next three

If one takes a pessimistic view of both policies, the Conmodify the markets' behaviour. servatives might produce higher These include: inflation and higher unemployment than the Alliance by 1986. On an optimistic view, the Alliance might provide some 300,000 more jobs than the Conservatives in 1968 at a "cost" of some 2 percentage points on the inflation rate.

However, no economic model can say whether that is worth

### Men & Matters

### ICI switches on

Can the entrepreneurial spirit be kindled in a company as big as ICI? That's the challenge for a novel corporate venture by the chemicals giant into electronics, a challenge already being met by some of its formidable competitors excited by the idea of "electronic chemicals." The entrepreneur ICI has chosen to head the new elec-

tronics group, John Mellersh, has had experience in trying to open new business opportuni-ties for one of its most inventive divisions, organic chemicals. Mellersh, who reports direct to a main board director, sees the problem as discovering how

ICI can make money out of electronics rather than how it can sell chemicals to the elec-tronics industry. He is looking for much more added value than ICI's tradi-tional business in bulk chemicals provides and he expects to collaborate, mainly with overseas firms, in joint ventures. Already he is talking

to some "household names" among the Japanese electronics giants. "I guess basically we are selling science instead of pro-ducts," he says. How does Mellersh rate his chances as an entrepreneur in a rooted bulk chemical supplier? He has the public support of ICI chairman

### John Harvey-Jones and research director Charles Reece. "That's a hell of help."

Almost elected The quiet village of Chipping in the Ribble Valley, Lanca-shire, already has my admiration for insisting upon pink no-parking lines in the main street because yellow was considered offensive in the 17thcentury setting.

But even that brave decision

has been thrust into the background by an electoral storm that has swept the village. Nothing to do with the General Election of course— Chippingites can take such goings-on in their stride.

In the much more important recent parish council election the village's popular—and only —butcher, Bill Robinson collected a paltry 76 votes. By the time more than 100 locals had commiserated with him his disappointment at his sudden loss of support turned to suspicion. He carried out a count and

found that more than 200 of h customers had voted for him. Confronted by an angry Robinson the Ribble Valley Council discovered that the voting figures had been inadvert-ently switched.

The new parish councillor Dick Seed, fresh from a victorious champagne party, found himself suddently dis-

Thoroughly aroused by all this high political activity the villagers led by Terry Till, parish council chairman and local coal merchant are local coal merchant, are demanding another election—on the day of the General Elec-

### Mighty fakes

London is about to be awash with its annual glut of antiques fairs. Some of the dealers and collectors in town might be well advised to visit an exhibition which Sotheby's is showing from June 13-15. It is of fakes collected by its former director of porcelain, Jim Kiddell.

Kiddell joined Sotheby's in 1921 and until his death in 1980 had an unrivalled opportunity to sort out the fakes from the facience. Among the 60 items on show are a tureen in the form of a rabbit chewing a leaf pretending to be Chelsea, circa



of the issues at stake

1755, but really Samson, late 19th century. The Great Exhibition of 1851

rekindled interest in 18th century porcelain and the Samson factory in Paris set to work making accurate copies. Samson is now collected—the tureen is worth £300. But then if it had been Chelsea it would be valued at nearer £10,000.

### Offshore risks

There are fears that the professionals on the Channel Island of Jersey—the lawyers and accountants who act as nominees for offshore companies registered on the island may have to re-think their

For a proposed change in the local law would mean they When Jersey's first Trust Law

would have to take the blame for the doings of their masters -the real owners of the companies which the local men "front" on the island.

was being drafted the original

idea of having officially approved and supervised trustees was dropped in favour of making the directors of a trust company personally liable for any breach of trust.

The definition of a director has been, until now, very loosely drawn to include any shareholder controlling more than one-third of the voting

But a new Trust Bill to come before the Jersey Parliament today would make the island's professional men answerable for the behaviour of their raincipals many of whom have never been near the island.

Faced with that prospect the idea of being a nominee for a company operating off the island is suddenly locking less than attractive to the St Helier business community.

#### Mixed bag A Northern Ireland Unionist

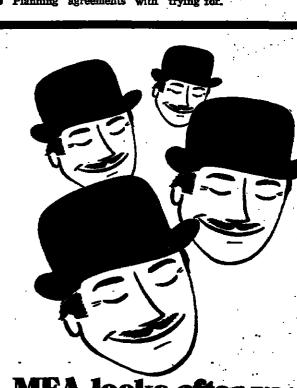
Assembly member had just become a father for the first time when he met one of his constituents in Belfast-well, so the Irish Times tells. Said the politician, "I mustn't

have any more."
"Why?" asked the constituent. Because every second child born in Northern Ireland is a Catholic," replied the Assembly-

"Begod, you're right," plied the constitutent," I didn't think of that." A colleague overheard the

exchange.
"You shouldn't have a third either," he whispered to the "Because every third child born in the world is Chinese,"

replied his friend. Observer



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APICAL MARCHANICA COMMUNICATION OF COMMU

FOREIGN AFFAIRS: DISARMAMENT

# Of histrionics and delusions

By Ian Davidson

marines on the negotiating table in Geneva.

By the end of last week, after

'on the table'

tribution that Britain could make to the arms control

The multilateralists in the Labour Party do not explain how, or in what circumstances, could automomously Britain could automomously decide to place the Polaris stretegic deterrent "on the table" in Geneva; the multi-lateralists in the Conservative Party prefer not to contemplate the circumstances in which even a government led by Mrs Thatcher might be unable to prevent the British nuclear force becoming a comnuclear force becoming a compopent part of the negotiations

popert part of the negociations peak governments will the rest in Coneva.

In these negotiations, it is refuse to accept the new the super-pawers which matter. American missiles.

Given the disproportion between The unilateralism in the their colossal nuclear arsenals Labour manifesto may be more and those of Britain and a matter of idealistic conviction

THE confused babble in the British Labour Farty ever its supposedly non-nuclear defence policy has done more to divert and entertain the nation than anything contributed so far in can only be contingent on proanything contributed so far in can only be contingent on prothe election campaign by the gress between the big players. Conservatives. For the past The Russians, of course, formight its spokesman have been trying to reconcile one manifesto commitment—to place of the British and French systems in "Nato" totals, and their "event propaganda ploys have been based on the notion that their intermediate-range S\$20 fingrent, commitment—to place the British Polaris nucleer submarines on the negotiating the British and French totals. down to a level equivalent to the British and French totals. But the point of this offer is not to make (illusory) concessions to Britain and France, but

Hy the end of last week, after much uproar, the emphasis seemed to have shifted somewhat from abandenment to negotiation, though given the tension between the multisteralists, this shift may prove impermanent.

Labour's standing in the opinion polds, as well as other attitude surveys, suggest that the party's unflateralism is II missiles in western Europe.

In the make (illusory) concessions to make (illusory) concessions to make (illusory) concessions to secure an enerous concession from the Americans, to see more SS20s than they had when the Geneva Euromissile talks began 16 months ago, and it would require the Americans to sign away their right to deploy any cruise and Pershing II missiles in western Europe. the party's unilateralism is not a vete-winning ticket, and that Mrs Thatcher's resolute refusal to have anything to do with "one-sided disarmament" may be an electoral advantage. Nevertheless, the multilateralists in Geneva is pure theatre because she has no real choice; Mr Foot's real problem in plactraph about the potential control of the Russians, but with the Americans, and with the other European governments which back the 1979 Nato decision to seek an East-West agreement on land-based Euromissiles.

For the moment, these talks seem totally deadlocked, and there is little prospent of movement for many months to come. The Soviet Union has made a number of histrionic made a number of histrionic gestures, and the U.S. has been persuaded by its European partners to ease away from its starting position, which would have required both superpowers to forswear any deployment of long-range Euromissiles. But at the negotiating table there seems to be no rapprochement on the principle of U.S. Soviet equality in this category of weapons this category of weapons systems. No doubt the Russians will continue to drag their heels in the hope that Euro-pean governments will lose



Gerald Ford and Leonid Brezhnev at the 1974 arms limitation

vote in Congress, giving the go-

ahead to the new MX land-based

intercontinental ballistic missile.

is a case in point, even if it

comes after years of dithering.

Moreover, MX is only part of

President Reagan's vast re-

armament programme; if the

Russians regret the non-ratifi-

cation of the second Salt treaty

(and they do), they have even

more reason to want to nego-

tiate limits on Reagan's rearms-

ment before it gets out of hand.

And third because, though

there has been no perceptible

progress so far, at least the two

sides agree on one point of

than of loss of nerve. But when Mr Helmut Schmidt, the former West German Chancellor, publiciy advertises his doubts whether the Americans are negotiating seriously in Geneva, it can only suggest that resistance to the new missiles is likely to get stronger in Germany in the months leading to deployment at the end of the year, and that the U.S. pegotiating position may become even more difficult.

On the other hand, there may be less reason for pessimism over the parallel U.S. Soviet talks in Geneva on inter-contipental nuclear weapons. First,
because the Americans already
have parity in these strategic
weapons, whereas they are
negotiating from a position of
weakness on the Euromissiles:
the Russian SS 20s are already
deployed, whereas the cruise
and Pershing II missiles are not.
Second, because the Americans
can take their own decisions on
future strategic weapons, without paying to depend on the unfuture strategic weapons, without paying to depend on the unfuture strategic weapons, withtotal ballistic missiles to about
solon, and a cut in the number of ballistic
cut in the number of ballistic
of which no more than half
would be on land-based missiles.
The Russians, less ambitiously,
have tabled a proposal of
total ballistic missiles to about
solon, and a cut in
the number of ballistic
missile workepts to about 5,000,
of which no more than half
would be on land-based missiles.
The Russians, less ambitiously,
have tabled a proposal of
total ballistic missiles to about
solon on each side, and a one-third
cut in the number of ballistic
missile workepts to about 5,000,
of which no more than half
would be on land-based missiles.
The Russians, less ambitiously,
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cut in the number of ballistic
missile workepts to about 5,000,
of which no more than half
would be on land-based missiles.
The Russians, less agree on one point of
principle: they are both proposing a reduction in their talks in Geneva on inter-conti-

compared with around 2,000 now for the U.S. and 2,400 for the Soviet Union. What makes this a particu larly interesting phase in the Strategic Arms Reduction Talks

(Start) is that the Americans are currently in the throes of revising their opening offer. The recent Scowcroft Report on The recent Scowcroft Report on America's strategic forces argued strongly that the current practice of building missiles with many warheads is destabilising, because it means that such land-based rockets present tempting and undefendable targets for the rockets of the other side. It recommended that in future the U.S. should that in future the U.S. should from multi-warhead missiles to a larger number of small, single-warhead missiles, and that in the Start talks the U.S. should reassess its propo-

sal for a reduction in numbers of missiles, For if U.S. land-based ICBMs are vulnerable to attack by Soviet J. BMs, then a proposal to cut /issile numbers proporwarhead numbers (a third), would make these land-based ICBMs even more vulnerable. and would thus aggravate the problem of instability.

The logic of the Scowcroft Report ought to lead the U.S. to abandon any ceiling for missiles, and concentrate entirely on cuts in the number of warheads. But since the Russian proposal is based primarily on the counting of launchers, and remains vague on the question of counting warheads, it seems probable that the U.S. will simply increase its proposed missile ceiling, from 850 to 1,200-1,250. If the Russians can then be ersuaded to include a warhead ceiling, there could be the ingredients for an eventual compromise,

Obviously, a significant cut in strategic weapons could not be achieved overnight. It would have to be phased over several years, and a tight sub-ceiling of land-based warheads would require the Russians to restructure their forces considerably. since three-quarters of their warkeads are currently on land. warnesses are currently in nind-that the political leaders in Washington and Moscow could overcome the professional resistance of their respective military bureaucracies. But that

resistance will be more difficult to overcome if Soviet reductions are scheduled to coincide with very substantial increases in the numbers of warheads deployed by Britain and

At present, British and French missiles muster around 290 warheads. After Britain has French missiles muster around 290 warheads. After Britain has acquired Trident to replace Polaris, and after France has launched its sixth and seventh submarines and fitted them with multi-headed missiles, the Angio-French total could easily top 1,000 warheads. Not merely would this represent a significant proportion of the warhead Ageada for Social Democracy. leunched its sixth and seventh submarines and fitted them with multi-headed missiles, the Anglo-French total could easily top 1,000 warheads. Not merely would this represent a significant proportion of the warhead celling proposed by the U.S. ceiling proposed by the U.S. (5,000), but the accuracy of Trident would give Britain the ability to knock out Soviet silos which it has never claimed to

Mr Francis Pym, the Foreign Secretary, has brushed this problem aside by depicting it as a remote contingency which can be consigned to a dim and distant future. Things may not be as easy as that. The Salt II treaty did not suddenly emerge from the signing ceremony on June 18, 1979; it was the result of five years' negotiations on the basis of fairly precise principles agreed at Vladivostek in 1974 Mr Francis Pym, the Foreign

The Anglo-French warhead total could top 1,000

between Gerald Ford and Leonid Brezhnev. Some diplomets are already suggesting that circumstances may be propitious for another Vladivostok-type encounter. President Reagan only got the MX through Congress by pro-mising earnest arms-control efforts. If he intends to stand again, he may want a summit meeting within the next year, to deliver on that promise. But if there were to be a Viddingstok. there were to be a Vladivostok-type meeting, it would unavoid-ably have to take in the prospective proliferation of British and French systems.

and French systems.
In short, Britain is neither as free to enter nuclear weapons negotiations as Mr Foot asserts, nor as free to stay out of them as Mrs Thatcher pretends. And the moment of decision could be quite soon.

# Lombard

### The Maoists of **Lord North Street**

By Anthony Harris

IT WAS Mao Tse Tung who proclaimed the doctorine of perpetual revolution, and a fat lot of good it did him. Our home grown revolutionaries of the right, at the Institute of Economic Affairs Lord North

Agenda for Social Democracy. The attempt to hijack the SDP in the course of market eco-nomics is not just a fairly witty joke; the IEA as is made clear joke; the IEA as is made clear by Prof Charles Rowley, in his essay in this collection, is wor-ried because politicians tend to buy votes by selling principles. The Alliance, which has no spon-soring pressure groups, ought to be able to preserve doctrinal

purity.

Apart from the central joke though, this is a desperately thin collection although there are one or two really useful points. For example, Stephen Littlechild points out that competition policy has yet to tackle the profession; and Ljubo Sirc usefully reminds us that although the properties ideal though the co-operative ideal appeals to everybody's emotions. the experience of countries ranging from Yugoslavia to the U.S. is that they don't work very well. An effective economy does seem to need an entre-

However, this is hardly the stuff of future revelations and the bulk of the book is taken up with restatement of old IEA positions which look increasingly Bourbon — you know, the people learnt nothing and forgot simply claims that monetarism and floating exchange rates were preached by the IEA be-fore they were practised by governments. He doesn't seem to have noticed that they haven't worked very well. Jeffrey Wood, in what purports to be a study of the labour market, simply asserts that monetarism would

This is all pretty sad. Anyone who has been commenting on economic affairs for more than five years can remember the time when the IEA was the spearhead of the right-wing counter-revolution.

So what should the IEA do? So what should the IEA do? The obvious suggestion is to shit up shop with honour. This group really has loosened up our thinking; perhaps they do not belong in the establishment. not belong in the establishment.

This seems to be far too defeatist. As the Littlechild essay reminds us, there is a great deal of useful work to be done on the old lines. The trouble is it means a tot of hard work. If, for example, the IEA wants to lead a successful assault on the professions, it means redoing the work botched by people like the Benson Royal Commission, and giving a radical study of the harm done by restrictive practices of solicitors, barristers, architects, doctors and the rest.

the rest. It also seems to me it is high time for the IEA to do some of the confessional work which the National Institute of Economic and Social Research does so well, and look back at its prescription saying frankly what worked, what didn't and why. This might not only be a useful cure for self-satisfaction but direct the thoughts of the market economists to subjects

they seem to overlook. For example, the troubles that have followed the floating of exchange rates and the nothing. Lord Harris of High attempt to manage the money Cross, in a masterly survey of supply might be found in the all the IEA achieved in the past, workings of the banking supply might be found in the workings of the banking system. Is it possible that the competitive source which is so good for the industrial goose, gives a sour taste to the finan-cial gander? This is only one of a whole list of topics which would surely be worth the analytical zeal of the fearless thinkers of Lord North Street, But no more, please, of yesterday's revolutions. The solve most Macro-economic prob-lems if we would only follow revolutionaries now run the his advice and control the country, and like most revolu-monetary base and leave it at tionaries, they have yet to learn that. I seem to remember that to make a decent job of it.

### Letters to the Editor

### Enfranchisement of leasehold flats

Conservative Party is preaching the lessees of houses to extend the righter of home currently the righter of home currently in the lesses up to, say, 125 the virtues of home ownership for all, and encouraging local councils to sell homes at a substantial discount to tenants, why is it so silent in regard to the matter of lessees of flats belong-ing to private landlords enjoying the same rights?

I would also be interested to know why no move has been made to date to extend the provisions of the Leasehold Enfranchisement Act to include leasehold flats held at a ground rent of less than two-thirds of the rateable value. It was obviously considered

expedient to raise the rateable value limit in order that more houses could qualify under the provisions of the Leasehold Enfranchisement Act which for tuitously allow a number of MPs occupying houses in Westminster to either extend their leases or purchase the freehold. It is obviously not practical to provide that the lessees of flats should be allowed to purchase their freeholds for a number

Negotiations at Birds Eye

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff

Sir,—Your report of May 24 Roy A. Grantham. missed out three seaential points 22 Worple Road, SW19. in discussing the recent ballot at Birds Eye Walls. APEX has enjoyed excellent

industrial relations with Walls Ice Cream for many years. When unionised sales staff from Walls were merged with non-unionised Birds Eye sales staff in a company reorganisation our

ACT IN

company reorganisation our members comprised 38 per cent of the combined force.

Management insisted on a ballot as to whether we should continue to negotiate for our members. In spite of unifying the sales staff they unilaterally imposed a salary increase of 4 per cent on the Walls staff and 5 per cent on the Birds staff.

Talk about "negotiation through consultation" with unorcanised staff is meaningless in this consultation.

per cent on the Walls staff and 5 per cent on the Birds staff. Talk about "negotiation through consultation" with unorganised staff is meaningless in this context.

In spite of this clear message 43 per cent of the staff still voted to be represented by APEX. Many Birds Eye staff unhappy state of affairs in our by APEX if they believed that management would not discribing the fickibility of labour within the factory permits representation the fickibility of labour within the factory permits representation the fickibility of labour within the factory permits representation the fickibility of labour within the factory permits representation through within the factory permits representation through the factory permits representation through within the factory permits representation through through the factory permits representation through the facto management would not discri-minate against union members. In the past the unions were required to deal with a situa-Let me assure them that this tion which is no longer W.M. Williamson, bribery and discriminatory relevant. Markets are now 194a Havant Road, treatment has been challenged worldwide and the size of the Portsmouth, Hants.

years.

I also think that it is high time that the flat dweller was assessed for rating purposes on assessed for fating purposes on a much fairer and equitable basis, in that if you compare the assessment of the average house with a flat of a similar size, you will find that the rate-able value of the flat is far higher than the house despite the fact that the amenities enjoyed by the house owner are infinitely greater. Why not, therefore, assess on the basis of capital value, which is common in New York, and each time the property changes hands the assessment is either in-creased or decreased according to the price obtained? This would save time consuming and expensive revaluation for rating

The present system of rating

trade union actions are ended.

From the Managing Director Portsdown Engineering and

Restrictive

Marine Sales

practices

rom Mr P. Williams.

of reasons but they should the inner London boroughs parsir,—At a time when the enjoy the right in common with tieularly are impatient to see some evidence of the Govern-ment implementing the measures that I have outlined, not purely as a vote-catching exercise but as a piece of social

justice. I am well acquainted with the arguments against extend-ing the Leasehold Enfranchise-ment Act to include flats and heard really hold water. I think that if the provisions of the Act were extended to include flats, it would stop numbers of speculators who have specialised in buying in a number of blocks for break-up which is not one of the most attractive faces of

capitalism.
I believe that Sir Brandon Rhys-Williams introduced a Bill to extend the Leasehold Enfran-chisement Act to flats. I am concerned to see that there is no mention of such plans in the Tory Party manifests. I think it may have cause to regret this seeming indifference

is archaic and should be regret this seeming indichanged, in my opinion. I think as a result.

a very considerable number of potential Conservative voters in 6, Stratton Street, W1.

by APEX which seeks equal treatment for all staff and a continuation of our negotiating agreement. We have asked the Advisory, Conciliation and Arbitration Service to intervene to ensure that these antitrade union actions are ended. producer, Additionally much work is now carried out supported by taxpayers subsidies or directly for government to be paid for from our taxes and it seems grossly unfair that additional taxes have to be raised to pay for restrictive practices by the workers — but that is how it is at present.

It would be too much to expect the unions to abandon these restrictive practices and government must take the lead, government must take the lead, initially by inserting a clause in every contract for goods and services that restrictive practices have been eliminated within the premises of the supplier. Without this clause the tender would be thrown out! Give this some time to work its way through the work its way through the system and we could perhaps look to a reduction in our casts for the government of this

Time is not on our side and without the present support of North Sea oil we would be in something of a mess. When the oil has disappeared we shall need a strong manufacturing base to support the population of these islands and every effort to provide for these days should start now.

island.

W. M. Williamson, 194a Havent Road, Drayton,

#### Southern African achievements

From the High Commissioner for the Republic of Botswana and Chairman of the Southern African Development Co-ordination Conference

Sir,-Your leader (May 26) was complimentary about the aims of the Southern African Development Co-ordination Development Co-ordination Conference (SADCC), but unjustifiably gloomy about its

You allege failure to attract private investment, in spite of a long list of potential projects. The facts are that these projects were presented only four months ago, at the SADCC con-ference with the international community held in Lesotho. Negotiations are currently in progress with private commer-cial investors from Japan, Fia-land, Germany, Brazil, India, Canada, Australia, Italy, Portu-gal and Britain on over 70 separate industrial projects.

Meanwhile considerable proestablished programmes, and especially on transport and communications, where the first presentations to the international community were made in November 1980. Since then 44 projects have been started on the ground, and five of these completed, including important new telecommunications links. For an entirely new inter-national organisation, working amidst the kind of regional pressures your leader describes. Surely you are wrong to describe progress as "extremely

S. A. Mpuchane, 162, Ruckingham Palace Road,

#### An open-ended invitation From Mr J. Harper

Sir.—I had hoped that Sir Lawrence Airey's generous invitation to write to him with relevant details of staff of his who cannot tell margarine from butter was a standing offer. I trust it has not closed after two months, like those breakfast cereal deals. If not, perhaps it is a little early for one who has is a little early for one who has led with his chin to publicly congratulate himself (May 20) with such hauteur.

I will be drawing the attention of delegates at the third annual UK Tax Congress to his letter, as a major taxation development of 1983, when I again jointly present the review of the past year. of the past year.

Jack Harper, 21, Eltham Park Gordens, SE9.

# Royal Trust

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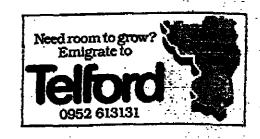
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# FINANCIAL TIMES

Tuesday May 31 1983



Terry Byland on Wall Street

### Mutual funds flourish

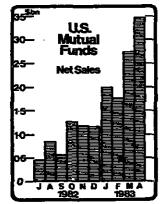
LAST WEEK'S announcement of another substantial upsurge in U.S. mutual fund sales in April bears witness to the torrent of investment flowing into the stock markets from private investors througout the

The roar of the bull market has clearly lured back the bost of per sonal savers who drew in their horns a decade ago when the first upsurge in world oil prices checked the post-war years of growth.

Mutual fund sales for April showed a record total of \$3.5bn making \$13.2bn for the first four months of this year – considerably more than for the whole of previous peak years.

The presence of the small investor was displayed yet more clearly by the substantial purchases of iunds with cash saved in Individual Retirement Accounts (Iras).

The first \$2000 on an Ira can be set against an individual's annual tax charge. As the April 15 year-end tax deadline drew near, there was a rush by the public to open Ira accounts and \$1bn of Ira money was



then put into mutual funds, making up about one third of the month's

Most of this mass of new investment in the funds went into common stocks although investors in mutual funds can choose between funds specialising in almost every

sector of the financial markets. The April sales figures show that the U.S. mutual fund investor has fairly definite ideas about which sectors of the market are the most

Of the dozen categories into which the industry subdivides its types of fund, the biggest growth in sales, by far, came in the so-called aggressive growth rate and longterm municipal funds.

On a year-to-year basis, sales of aggressive growth funds jumped massively last month - from \$153m

"Aggressive growth" in this context means, according to Mr Monte Gordon, vice president of research to the Dreyfus funds, "high technol ogy, semiconductors, computers, all the data transmission area." In other words, the very share sectors which have been constantly in the

front line of the market advance. Even greater sales growth has been recorded by funds investing in long-term municipal securities, of 20 years or more, sales of which

topped \$1.3bn last month. The advantages of investment in municipal bonds for U.S. taxpayers is that dividends are payable tax free. Since 1976, mutual funds have been allowed to pass on this benefit to bondholders.

The other categories of mutual funds are designed to cover the full range from income to capital growth, with special funds for such areas as corporate bonds or option

In a separate category are the mutual money market funds which have been recording steadily declining sales for the past six months, largely because of competition from the commercial banks which are now moving strongly into this market, which was opened to them only at the end of last year.

Private investors in the U.S. like

to adopt an aggressive attitude towards investment. They are now responding vigorously to a bull market but have in the past reacted equally sharply to poor investment

In the early seventies when equity investment was out of favour for a while, there was a net redemption of mutual funds and hurt and angry investors pulled their money out.

One question now asked inside the industry is whether the IRA accounts, where investors lose their tax privilege if they take money out under the age of 59%, will be a shield against redemption in bad

The size of April's contribution to fund sales from Iras may not be re-

But the industry has other shots left in the magazine. Only 15 to 20 of the 555 mutual stock market funds, plus nearly 300 money market funds, have significant exposure to markets outside the U.S.

• The Dow Jones industrial average shed 7.35 on Friday to 1,216.14 but was up 26.12 on the week.

### Latin America loans by UK banks 'above equity'

BY ALAN FRIEDMAN, BANKING CORRESPONDENT, IN LONDON

LLOYDS BANK and Midland Bank of the UK each have loans to Latin America which represent 180 per cent of their total equity base, according to a new analysis of British banks prepared by International Bank Credit Analysis (IBCA), a London-based research company

The IBCA report also claims that Lloyds Bank has loans to Mexico which total £900m (\$1.44bn). Lloyds Bank has repeatedly refused to disclose its Mexican loans.

According to IBCA, Lloyds Bank has total Latin American loans of £3.6bn, against an equity base of £2bn. The £3.6bn includes some loans guaranteed by the Export Credits Guarantee Department (ECGD) and also includes loans made locally by Lloyds subsidiaries

in Brazil and Argentina. Lloyds Bank said at the weekend that the IBCA estimates were misleading because they included the ECGD and local loans. Mr Robin Monro-Davies, managing director of IBCA, said the estimate was pased on a disclosure of £2.7bn of Latin America lending by Lloyds Bank and a record of £900m of Mex-

LATIN AMERICAN LOANS (£ bis)

ican loans by the bank which was found in a copy of a Mexican debt

Source: Published accounts and IBCA Banking Analysis

In the case of Midland Bank, IB-CA says it has included equity of the Crocker Bank in California in arriving at its £2bn equity figure; that compares with £3.6bn of Latin

IBCA claims that while 1982 loan losses by British banks were almost entirely attributable to private-sector borrowers at home and abroad some banks (including NatWest, Lloyds and Midland) have made general provisions that include 1 to 1% per cent of total sovereign loans

The report suggests that the dis-closure of financial data by Barclays and NatWest is improving as U.S. requirements. IBCA criticises Lloyds Bank, however, for having excluded Mexico from its disclosed lending in Latin America.

"It seems to us somewhat disin genuous ... to give a figure for Lat-in American lending without pointing out that Mexico, which is Lloyds' largest single country expo-sure, is considered part of North America and hence is not included in this figure," says the IBCA re-

Brazil's crisis, Page 21

### Labour and Alliance in bid to prevent Thatcher landslide

BY MARGARET VAN HATTEM IN LONDON

erial-Social Democrat Alliance yeserday mounted vigorous attacks on Mrs Margaret Thatcher and her government, aimed at frightening voters with the prospect of an extremist right-wing regime.

Both political groups appear to

save emerged from their weekend of mid-election tactical stock-taking with the conviction that a decisive Tory win is virtually inevitable. Both have decided on a right-wing scare campaign centred on the Prime Minister's "secret" manifesto, to stave off the anticipated land-

Mr David Steel, the Liberal leader, said Mrs Thatcher had become obsessed with the idea of a landonly from the normal controls of from the conscience of her own par-

A modest majority would suffice to implement the Conservative manifesto he told a public meeting in Edinburgh. But in order to implement her "concealed" manifesto - her secret plans to dismantle the National Health Service, undermine the education system, and de-

THE UK Labour Party and the Lib-stroy the welfare state - she needed to be free of the "Conservatives with a social conscience who are the villains in Mrs Thatcher's

> "Waiting in the wings are a host of hard-faced men and women whose aim is to do well out of the recession," he said. "A landslide victory will hand Britain over to a new brand of Conservatives."

The theme of a sinister secret manifesto surfaced earlier in the day at a Labour Party press conference specially convened to launch a research paper on the "real Tory

The paner, based on newspaper reports and other leaked accounts of Tory policy groups, is intended to show that Mrs Thatcher plans to close down coal mines, steel plants our parliamentary democracy, but and shipyards; force down wages; emasculate the unions, force all families on to private health insurance and privatise the health and education services.

The press conference, chaired by Mr Denis Healey, deputy leader, and attended by Mr Michael Foot, Labour leader, Mr Jim Mortimer, party general secretary, and six other members of the Shadow Cabinet, was evidently intended to show that Labour's campaign was back on the rails after last week's debacle over defence policy.

Both Mr Foot and Mr Healey seized on the lack of real progress at the Williamsburg summit as further ammunition for attack. Mr Foot described the summit as "catastrophic," bringing no hope to the unemployed. Mr Healey, in robust form, went further. The West had sed its last chance for 12 months to head off economic disaster, he said. The Williamsburg failure brought the threat of an interna-tional banking collapse ever closer and placed every job and every company in Britain, under threat.

The Tories yesterday maintained a relatively low profile. Mrs Thatcher did not appear at the morning press conference, which was domi nated by solid economic discussion. Mr Cecil Parkinson, the Conservative Party chairman, later de-

nounced the Labour attack as "the most cruel and cynical exercise from Denis Healey's house of horrors." It would frighten all the most vulnerable members of society, he added,

More election news, Page 7

### **Tornado** rejected by Spain

Continued from Page 1

The decision, which came on the eve of the expiry deadline for the provisional McDonnell-Douglas provisional agreement, had been expected to be made at last week's cabinet meetng, but was put off for last-minute adjustments to the package of "off-sets" that Spain is due to receive in

the deal.
Including industrial participation in the project, transfer of technology and trade compensations on non-defence sectors, offsets were put at \$1.8bn at the time of the first 4-aircraft agreement

The six squadrons of twin-jet F/A-18S will progressively from the bosis of Spain's fighter force along side the same number of French Mirage F-IS. They replace aging squadrons of U.S. Phantoms and F-5S and Mirage IIIs, totalling some 120 aircraft in all.

The Spanish Government's decision is a severe blow to Panavia, the European group building the Torna-

do multi-role combat aircraft. The Anglo-West German-Italian Tornado was offered to Spain with a big offset arrangement for the support of Spanish industry, to try to beat the U.S. aircraft.

World Weather

### **Irish Forum faces** unity differences

BY BRENDAN KEENAN IN DUBLIN

emerged here yesterday at the opening session of the New Ireland Forum, which is intended to produce a consensus on new political structure in a united Ireland.

Besides the three main Irish par ties, the forum is being attended by the mainly Roman Catholic Social Democratic and Labour Party (SDLP), the chief constitutional grouping of the nationalist commu-nity in Northern Ireland.

Mr Charles Haughey, the leader of the main opposition party Fianna Fail and a former prime minister, in a hardline opening speech called for a complete political and military withdrawal by Britain from Nor-

Mr Haughey's remarks drew a noticeably frosty reaction from Dr Garret FitzGerald, the Prime Minister and leader of the Fine Gael/Labour Party coalition.
Dr FitzGerald, who is known for

having a more conciliatory attitude towards Northern Protestants than Fianna Fail appeared much more flexible, and even allowed for the to beat the U.S. aircraft.

It was seriously considered by the new Spanish Government that it would. He said the forum

SHARP DIFFERENCES of ap- could not hold back from any strucproach to the question of Irish unity tures, or any solutions which would emerged here yesterday at the guarantee the unionists and nationalists traditions in Ireland.

> The most impassioned speech came from Mr John Hume, the leader of the SDLP. He feared that unless a new approach was found,
> "we will all be engulfed in a furious
> torrent of hatred, violence and despair."

Mr Hume has most to gain or lose from the forum. If the forum should collapse, it will provide a major boost to the Provisional Sinn Fein, the political wing of the Provisional Irish Republican Army. The Provisional Sinn Feln is trying to erock nationalist support from the SDLP by standing for Westminster seats

at the June 9 general election. Mr Hume was the driving force which persuaded Dr FitzGerald to set up the Forum. His personal prestige is riding on the project. Originally all political parties involved in Northern Ireland were invited to attend.

Yesterday Mr James Molyneaux, the Official Unionist Party leader, accused Mr Hume of setting up a ri-val body to the Northern Ireland

#### Monetary policies to be reviewed Continued from Page 1

vergence and international co-operation to help stabilise exchange

markets. Productivity and employment Special measures to improve training and the mobility of labour forces are to be considered, as well as the usual reliance on market forces in the labour market. The governments clearly have in mind an extension of special training and employment measures to combat the industrialised countries.

They are also pledged to encour-age research and development and to improve international co-opera-

### **British** industry sees more signs of recovery

By Robin Pauley in London

THE Confederation of British In dustry (CBI), the employers' organi-sation, says that its latest industrial trends survey shows further signs that British industry may be pulling out of recession. But it expresse caution about the strength and durability of an uptura.

The CBI's May monthly trends nquiry of more than 1,800 companies shows that 18 per cent more companies are optimistic that their volume of output will rise over the

Optimists have now outnumbered ssimists every month since Febuary, although the optimists signiicantly lost ground in May despite the further cut in bank base rates on April 14 which should have given a further boost to confidence. Confidence is nevertheless still much stronger than in the spring of 1982, when the economic recovery, her-alded by the Government, proved to be a false dawn.

But there is a feeling among some leading industrialists that it might be premature to talk about the end of the recession. For exam ple, the trends survey today indi-cates that 85 per cent of companies think their present stocks of finished goods are either adequate or more than adequate, although the margin of replies indicating that stocks were too high fell to 9 per cent, the lowest since 1979.

The recovery in economic activity was fired by the consumer boom that started last summer when mortgage interest rates fell and credit restrictions were eased. The CBI survey confirms that consumer spending remains the key stimulus Order books remain considerably weaker for the capital goods sector than for the intermediate and consumer goods industries with order books reported weak particularly for mechanical engineering," says the May report.

About half the companies think their export order books are normal but 38 per cent report they are still below normal. Last week's exceptionally poor trade figures showed a dramatic shift into deficit by the manufacturing sector this year with imports of finished manufactured

Overall manufactured exports in the first quarter of 1983 were 2 per cent down on the last quarter of 1982; the overall import volume of manufactured goods was 9 per cent up over the same period, reinforcing the view that much consumer demand has been met from a mixture of stocks and imports.

There has also been a small but encouraging increase in industrial production - 1½ per cent up be-tween the last quarter of 1982 and the first quarter of 1983 indicating that demand, if it can be main tained, is starting to filter back into order books. But the CBI also reports signs of restocking in some

The CBI regional reports, confirming increasing activity and confidence, also demonstrate the patchiness of recovery and stress repeatedly that improvements are all from an exceptionally low base. Industries such as shipbuilding and heavy engineering remain de-pressed with electronics and high technology the leading sectors.

The CBI report from the East Midlands, the industrial heartland, says the slow and steady improvement in demand seems to have been maintained. "Optimism for the future is usually tempered with the are from a very low base and some companies report possible short-ages in supplies should the rate of increase of demand accelerate."

In the West Midlands, where unemployment reached 15.5 per cent of the workforce last month, CBI members report that the upturn in activity seems to be continuing, although in almost all sectors the upturn is from a very low base. "At the moment the rise in activity is being viewed with caution and more time will be needed before the positive trend towards recovery is fully con-

### Sterling and \$ stronger

Continued from Page 1

than usual, the dollar and sterling both maintained their strength of last week, closing in Frankfurt at their highest levels for six months. The dollar closed at DM 2.5155, a widespread unemployment in the third of a Pfennig above its close in New York on Friday, while the pound reached \$1.6055 after clear-ing \$1.61 at the fixing compared with \$1.60475 in New York on FriTHE LEX COLUMN

# **Building societies** in a cleft stick

The building societies are wast ing no time in making use of their new-found freedom to issue certificates of deposit (CDs) in the London market. This year's Finance Bill permitted the societies to broaden their funding sources by paying interest gross on CDs, and already half a dozen societies are dipping their toes in the water.

The building society movement is

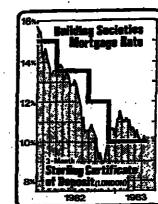
not a complete stranger to the wholesale markets. Almost two years ago, there was a sudden fashon among the medium-sized societies for syndicated credits, rapidly followed by the introduction of ne-gotiable bonds from the Nationwide. CDs, however, offer consider-ably more flexibility and could eas-ily wreak the most dramatic change yet in the liability structure

society balance sheets. The Chief Registrar of Friendly Societies, who keeps a wary eye on such matters, has recom that for the moment no society should obtain more than 5 per cent of its total deposits from the wholesale markets, putting an effective cap of £3.5bn on the industry's ess to wholesale money.

#### Reluctance

But, if the experiment proves suc-cessful, that percentage should rise progressively to perhaps 20 per cent cious. As paper ineligible for redis-counting at the Bank of England, building society CDs should expect to attract a margin of % per cent above comparable bank paper. At the end of last week, however, Nationwide paper was apparently being placed at a margin of only 1/22

removing a principal barrier to marketability. The aim of the societies is eventually to establish their own secondary market in CDs, enabling surplus liquidity to be redistributed within the movement along the lines of the inter-bank market. The very keen rates being chieved by the societies must be a reflection of their present novelty value, which will obviously diminish over the next few months. But they have already set up a strong bridgehead and are exploring other funding sources beyond the tradi-



which could then be funnelled in

the UK mortgage market. The money markets will not pro-vide the societies with a cheap source of funds. But, in a highly competitive market for personal savings, CDs would last year still have been marginally cheaper than retail deposits. Collection costs are almost non-existent and, with market more rapidly. Anomalous wholesale funds accounting for mortgage rates, such as the present such a small proportion of the total 10 per cent are something of a luxubalance sheet, the absolute cost of ry. money may not be the first priority.

More important, perhaps, is that broader access to funds would enable the societies to justify a lower comfortable with in the old, restricted environment. A figure of 15 per of which they have long experience. cent, rather than the historic norm They can hardly complain about the of nearer 20 per cent, might become acceptable. Since the combination of buoyant demand for home fi- impose on the societies the loan denance and a declining savings ratio mand which they are seeking to has pushed them almost to the low-meet through the money markets. er figure in any case, that argument There is some irony in the fact that must be particularly compell

clearing banks to accept these CDs as collateral appears to be wilting. True, the sale of CDs to the banking system may have a notionally expansive effect on sterling M3, since the societies themselves are outside the monetary sector. But at have made little secret of their wish least the bank will be able to moni- to enter the field of commercial tor the flow of funds. Whether it banking - not to mention insurance would be so welcoming towards off- and conveyancing - and the Govershore deposit takers, which are nor of the Bank of England has relargely beyond its purview, is an- cently warned about the danger of

Some of the smaller societies, however, must be anxious. A cartel with as many members as the building society movement rests on the premise that there is no differtional High Street depositor. Last entiation of risk among either bor-week, the Leicester Building Soci-rowers or lenders. The wholesale measure of the controversial longety was examining the leasibility of market is more selective. Building term potential that they are cur-establishing an offshoot in the Isle societies outside about the top 12 rently treading so carefully on this of Man to attract offshore deposits could easily be faced with the uncertain ground.

share to the big boys.

The wholesale markets would

provide the societies with a fallback source of funds if ever, for example the aggressive marketing of national savings bonds upset their calculations in the retail market. But they would also find it much barder to regulates their cost of funds, while the increased imbalance between short-term liabilities and very long-term loan assets would hardly find a place in text-books on banking

The societies are aiready running on wafer thin interest margins of around 0.2 per cent and, over the past year, they have been able to produce a decent return only through capital profits on gilt-edge: securities which, as discount houses know only too well, is no fail-safe source of income. The added unpredictability of wholesale funds might well persuade them to adjust their lending rates to the prevailing

#### Loan demand

The clearing banks will watch with interest the entry of the building societies into a financial market move, since their own decision to de-emphasise home loans helped to the clearers will be indirectly fund-The Bank of England is likely, for ing building society mortgages by the moment, to take a benign view buying together with discount of the budding new CD market, houses and commercial companies - the certificates of deposit.

Yet the clearers are unlikely to welcome any move by the societies on to their own turl. The societies allowing institutions which are accountable to virtually no one into the sensitive and risky world of banking. For the moment, the sociewholesale money exclusively to the

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### SECTION II - COMPANIES AND MARKETS

### FINANCIALTIMES

Tuesday May 31 1983



### AIBD threatens to take a more interventionist line

BY MARY ANNE SEGHART IN LONDON

mestic capital market where bor- market maker sells through a brorowers often have to queue to issue ker he has to pay commission.

M Wigny summed up the AIBD the show. In the Eurobond market line at The Hague: "The brokers are

tions. The Association of Interna- of that market maker. tional Bond Dealers (AIBD), to regulating process by leaving the

regulating process by leaving the by putting capital at risk."

The AIBD takes the line that was set out in a new rule presented most market difficulties can be solved by the market itself. But at this year's conference and annual general meeting, held in The Hague service to recognised market mak-last week, the association threaters. For the purpose of this rule, reened to take a much more interven-

usn demand

The issue at stake was the role of market makers in the AIBD weekly commission brokers, such as Purcell Graham, Mabon Nugent Interkers can be asked by the board to

national, and Guy Butler. The big market makers - which use their own capital to make twoway prices in the secondary market caused the most uproar. The AIBD and hold inventories of bonds - looking through a member's books? originally invited the brokers into It was unheard of. the market with the idea that the brokers would act as intermediaries between different market makers. supported the counter-proposal that In this way the market makers the audit provision be removed could find out from the broker Then a show of hands on the which were the highest bid or the amended proposal was inconclulowest offer prices without having sive. A ballot was taken and the reto give away their own prices to ri- sult announced: 224 in favour, 106

kers are dealing not only with mar-ket makers, but also with end inves-were not enough to form the necestors. The market makers feel their sary two-thirds majority to amend client bases are being eroded and the rule book.

**NEW ISSUE** 

THE EUROBOND market has al- that the brokers are making money ways prided itself on its freedom out of them without putting any from regulation. It is not like a do-

borrowers come and go as they playing a very useful role when please and the main constraint is what the market does or does not but they're playing a destructive want to buy.

There are a few other restriction of lateractic market maker to deal with a client of the market maker.

"Then the incentive for the marwhich most of the houses involved ket maker to put capital at risk is in the market belong, has its own disappearing. We could end up with code of practice, consisting of rules fewer and fewer market makers and recommendations. But as M and that would be detrimental to Damien Wigny, its chairman, says: the market as a whole. We want to The AIBD is an entirely voluntary, ensure the best liquidity possible in self-regulating organisation. Any the secondary market, and that is member can tree himself from the what the market makers are doing

> to the annual general meeting: "Commission brokers being mem-bers of the AIBD shall confine their cognised market makers means any firm mentioned in the list of submit from time to time to a client audit."

It was this last sentence which

Tension was high when the votes

were cast. First a unanimous vote against, 11 abstentions. But wait a But many people suspect the bro- minute - there were meant to be

INTERNATIONAL CREDITS

### Struggling with Brazil's crisis

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

suspense for the Eurocredit market as it struggled to come to terms with the deepening liquidity crisis of its largest customer, Brazil.

With about \$900m in foreign payment arrears Brazil faces a delay in disbursement of the \$411m tranche of International Monetary Fund (IMF) money originally due to be released today. Simultaneously commercial bank creditors are withholding payment of \$633m, due to be made available from the \$4.4bn medium-term loan facility granted to Brazil earlier this year.

Yet this shortfall need not in itself make the country's cash crisis worse. The money was almost entirely earmarked for repayment of earlier bridging loans granted by the Bank for International Settlements and leading commercial

So long as these lenders also agree to a delay in repayment, Bra-zil need not be immediately worse off as a result of its failure to satisfy targets set out in its IMF programme. As this realisation has grown, fears in the marketplace that the country might declare a full-scale moratorium on its \$84bn

LAST WEEK was another week of foreign debt have begun at least temporarily to abate.
This is not to say that the situa-

tion is no longer acute. Brazil's existing foreign payments arrears are still lower than those accumulated by Argentina at their peak, yet their impact is potentially more serious since they could eventually impair Brazil's ability to trade internationally. This could prevent it achieving the \$6bn trade surplus on which its whole debt rescue effort

Dogged pursuit of extra money through the interbank market continued last week to little avail. Interbank lines to Brazilian banks, which are supposed to reach a minimum of \$7.5bn under the programme, are still languishing around the S8bn mark, and there is little sign of any willingness in the banking community to make extra money available through alternative channels.

The market is waiting for a conclusion to Brazil's negotiations with the International Monetary Fund. An IMF mission is due to visit Brazil soon to look at the books more

tive channels.

Brazil, for its part, has already undertaken to announce measures

to reduce its fiscal deficit, particularly through the elimination of

subsidies. While this process continues, few bankers foresee much change in the pattern of late payments and ar-rears, which Brazil believes should decline naturally from July as the effect of its increased trade surplus is felt in its cash flow.

The real test for the banking system would come, however, if the IMFs review of Brazil's economy did throw up a need for much more failure of Brazil's programme to date, many bankers find it hard to see how smaller banks could be persuaded to put up much more mon-

Unlike Mexico, Brazil underestimated its needs when first drawing up its rescue package. Yet Mexico, even though it is now in good stand-ing with the IMF, has still not completed arrangements to reschedule \$19.7bn of public sector debt falling due this year and next.

Intensive work on this was proceeding last week in New York, and this week similar efforts will be made for Argentina as mid-year approaches and bankers are forced to realise that no single Latin Ameri-

can country has completed all the arrangements needed to put its debt on an orderly footing for 1983. Even when Mexico's public sector

debt rescheduling is settled the private sector debt problems will re-main. Although Mexico is not now expected to need fresh loans in 1983, bankers expect that the Bank of Mexico will have to refinance about \$500m in private sector interest arrears in the autumn.

Meanwhile more countries are entering the refinancing arena. Panama has announced that it will need about \$300m in the next two years and is forming an advisory group of creditor banks to help arrange the finance.

In Europe two new credits were announced last week. Danish Export Finance has mandated the Bank of America International to raise \$150m over seven years.

Italy's Istituto Mobiliare Italiano has launched a \$100m credit designed to finance Italian exports. Part of the deal, amounting to \$77.3m, will be broadly syndicated at a margin of 1/2 per cent over London interbank offered rate for three years, rising to % per cent for the

**INTERNATIONAL BONDS** 

### Little sign of a receptive market

BY OUR EUROMARKETS CORRESPONDENT

IT MIGHT just have been because the bulk of the dealing community was away in The Hague last week, but Eurobond dealers still at their desks apparently decided that the Province of Ontario was a better risk than the U.S. Government.

lts 10% per cent bonds due 1990 were trading on Friday afternoon at yield of 10.78 per cent, below the 10.86 per cent available on U.S. Government seven-year paper. And this was not a unique situation. By comunattractive almost across the board.

Yet this is more a feature of a currency-driven market than a topsyturvy assessment of credit ratings. In quiet trading Eurobond prices fell by about % points last week as six-months Eurodollar deposits climbed by % point to 9%. But the fall was restrained by the strength of the dollar in exchange markets. which gives many European inves- and/or more fixed rate paper tors little incentive to sell.

which normally tempts North yield of more than 12 per cent.

American borrowers to switch their attention to the Eurobond market. At the moment, however, there is little sign of the Eurobond market being receptive to new paper. Many bouses still have inventory on their books, built up earlier this month when interest rates appeared to be headed lower. There were only three new issues in the dollar market last week and none was exactly

Security Pacific's \$100m, 10% per parison with the U.S. market, yields cent issue was languishing on Frion Eurobonds are looking distinctly day at a discount of about two points on its par issue price. It was regarded as too tightly priced for an issue by a commercial bank.

a star performer.

By contrast the issue with warrants for I.C. Industries was increased to \$100m from \$75m and traded on Friday at around par. Although the issue was helped by an increase in the borrower's share price during the launch period - the warrants allow purchase of equity some dealers felt that the structure As a result price folls in the Euro- was too complicated. Stripped of bond market have lagged behind the warrants, the bonds were quotthose in New York, a situation ed at 84, which gives an effective

April 1983

### **CURRENT INTERNATIONAL BOND ISSUES**

Bonowers	Amount III.	Maturity	Av. life years	Соврон	Price	Lead Stanager	Offer yield	Borrowers	Amount m.	Maturity	Av. life years	Соирап %	Price	Lead Manager	Offer yield
U.S. DOLLARS								Sumitogro Forrestry **§	48	1988	_	•	100	CS	3.750
Amedico St.	15	1998	15	71/2	189	Morgan Granfell, Sheerson/Amer		Kansai Bec. Power **‡	100	1988	-	5%	100	UBS	5.875
Sandez 9‡	<b>59.3</b> 6	1995	121 <del>/2</del>	5	180	UBS Secs.	5.00 <b>0</b>	Yamato Transport **§	50	1988	-	•	100	UBS	3.750
IC ledestries ¶1	180	1991	8	87/E	190	Orion Royal, Paribas, UBS Secs.,		Sandea Corp. " \$	50	1988	-	•	10B	Banca dalla Svizzera Italiana	
•						Memil Lynch	8,875	Nat. Australia Bank **‡	100	1989	-	53/e	9934	CS	5.425
Security Pacific ‡	180	1988	5	101/2	190	SG Warburg, Morgan Gty., SBCI		Mitsubishi Plastics Inds. **§	35	1988	-	•	109	SBC	3.750
Orient Leasing 5	58	1998	15	544	109	Dahwa Europe, Paribas, Baring Br	TOS. *	STERLING							
								CEPME 111	35 🛭	1995	11.4	11%	180	Hill Samuel	11,250
								Iceland ‡	15	2016	33	141/2	1011/4	Hambros Bank	14.319
D-MARKS			_						<del></del> _				101.14		
SATS ‡	10 <del>8</del>	1998	7	81/4	993/4	BHF-Back	8. <b>2</b> 99	ECUs							
World Bank ‡	250 	1990	7	71/2	991/2	Doutsche Bank	7.595	Rank Xerox ‡	50	1988	5	113/4	100	Soc. Gen. de Bque., 881. Kredietbank	11.375
SWISS FRANCS								YEN						<del></del>	
Ushio "5‡	49	1589	_	35/2	198	SBC	3.625	Queensland Elec. Bd. **	5ba	1993	9	8.6	•	Niikko Secs.	-
Japan Exin Bank I	108	1991	_	55/e	108	UBS ·	5.825	Enel "'I	5bn	1993	9	8.6	99.85	Bank of Tokyo	8.809
Cest. Drawkraftwerks 1	180	1993	_	6	188	CS	6,900	Mitge. Blv. of Denmark ‡	15bn	1993	9	8.2	99.75	Milko Secs.	8.407

All the securities having been sold, this announcement appears as a matter of record only.

26th May, 1983

# SECOM CO., LTD.

(Nihon Keibi Hosho Kabushiki Kaisha)

**U.S. \$40,000,000** 5 per cent. Convertible Bonds 1998

Nomura International Limited

Goldman Sachs International Corp. Banque Nationale de Paris Robert Fleming & Co. Limited Pierson, Heldring & Pierson N.V.

Mitsubishi Bank (Europe) S.A. Deutsche Bank Aktiengesellschaft Kleinwort, Benson Limited Swiss Bank Corporation International Limited

Yamatane Securities (Europe) Ltd.

Ahn Dhabi Investment Company Al-Mal Group Arab African International Bank Banone Indospez Beiique Bruxelles Lambert S.A. Barclays Bank Group Bering Brothers & Co., Crédit Lyonnais Citicorp Capital Markets Group Deutsche Girozentrale Credit Suisse First Boston Hill Samuel & Co. Gulf International Bank B.S.C. Fuji International Finance Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.) Kredictbank S.A. Luxembourgeois Kuwait Investment Company (S.A.K.) Knwait International Investment Co. 5.a.k Morgan Grenfell & Co. Mitsubishi Trust & Banking Corporation (Europe) S.A. Merrill Lynch International & Co. Morcen Guaranty Ltd iking (Middle East) E.C. The Nikko Securities Co., (Europe) Ltd. Osakaya International (Europe) Sanwa Bank (Underwriters) o Finance International J. Henry Schroder Wagg & Co. Tokai Kyowa Morgan Grenfell Wake international (Europe) S. G. Warburg & Co. Ltd.

New Issue



Oesterreichische Kontrollbank Aktiengesellschaft

U.S.\$ 175,000,000 10% Guaranteed Notes 1991

Guaranteed as to Payment of Principal and Interest by the

### Republic of Austria

U.S.\$100,000,000 of which have been issued as the Initial Tranche

**Orion Royal Bank Limited European Banking Company Limited** Morgan Guaranty Ltd Banque Paribas Creditanstalt-Bankverein Credit Suisse First Boston Limited Deutsche Bank Aktiengesellschaft Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft Österreichische Länderbank Aktiengesellschaft Swiss Bank Corporation International Limited S. G. Warburg & Co. Ltd.

Alahli Bank of Kuwair K.S.C. Algemene Bank Nederland N.V. Amno International Limited
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Arnhold and S. Bleichroeder, Inc.
Julius Baer International Limited Banca Commerciale Italiana Banca del Gottardo Bank Leu International Ltd. Bank of America International Limited The Bank of Bermuda, Ltd. Bank of Credit and

Commerce International
Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.
Banque du Rhône et de la Tamise S.A. Banque Française du Commerce Extérieur Banque Générale du Luxembourg S.A. Banque Guzwiller, Kurz, Bungener (Overseas) Limited Banque Indosuez

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Caisse des Depôts et Consignations Cazenove & Co. Chase Manhattan Capital Markets Group Chase Manhattan Limited Chemical Bank International Group CIBC Limited

Citicorp Capital Markets Group Commerzbank Aktiengesellschaft Compagnie de Banque et d'Investissements, CBI Continental Illinois Capital Markets Group County Bank Limited Crédit Commercial de France Crédit Industriel d'Alsace et de Lottaine

Crédit Industriel et Commercial Crédit Lyonnais Credit Dyonnas
Credito Italiano
Dai-Ichi Kangyo International Limited
Daiwa Europe Limited
Die Erste österreichische Spar-Casse-Bank First Austrian Bank

Den Norske Creditbank DG Bank Deutsche Genossenschaftsbank Dillon, Read Overseas Corporation Dresdner Bank Aktiengesellschaft Enskilda Securities Skandinaviska Enskilda Limited

Euromobiliare Fuji International Finance Limited Genossenschaftliche Zentralbank AG Vienna Coldman Sachs International Corp. Hambros Bank Limited J. Henry Schroder Wagg & Co. Limited The Hongkong Bank Group The Industrial Bank of Kuwait K.S.C. Joh. Berenberg, Gossler & Co.

Kidder, Peabody International Limited Kleinwort, Benson Limited Kredietbank International Group Kuwait Foreign Trading Contracting & Investment Co. (5.A.K.) Kuwait International Investment Co. S.A.K. Kuwait International Investment Co. S.A.K.)
Lazard Frères et Cie Pans
Lehman Brothers Kuhn Loeb International, Inc.
Lloyds Bank International Limited LTCB International Limited Manufacturers Hanover Limited Merrill Lynch International & Co. Missubishi Bank (Europe) S.A. Morgan Grenfell & Co. Limited Morgan Stanley International National Bank of Abu Dhabi Nederlansche Middenstandsbank NV The Nikko Securiues Co., (Europe) Ltd. Nippon Credit International (HK) Ltd. Nomura International Limited Norddeutsche Landesbank Girozentrale Orion Royal Pacific Limited Pierson, Heldring & Pierson N.V. PK Christiania Bank (UK) Ltd. Salomon Brothers International Samuel Montagu & Co. Limited Sanwa Bank (Underwriters) Limited Societé Générale Societé Générale de Banque S.A. Société Séquanaise de Banque Sumitomo Finance International Svenska Handelsbanken Group
Union Bank of Switzerland (Securities) Limited
Verband Schweizerischer Kantonalbanken
Vereins- und Westbank Westdeutsche Landesbank Girozentrale Wood Cundy Limited Yamaichi International (Europe) Limited

U.S. BONDS

### Second-guessing the Fed again the number one sport

M1 IS SURGING (did someone while the minutes show that say M1?), and with further the FOMC made no real policy signs that the U.S. economy is change at that meeting, they also show that the Committee

Fed is once again the number one sport on Wall Street.

Memorial Day came yesterday at a crucial juncture. The holiday has provided the financial community with a financial done since last October. day has provided the financial community with a further chance to take stock of the current sad state of the U.S. credit markets and what is actually known of Fed policy, M1 has grown substantially as opposed to what is rumoured. Bond prices fell again last week, although the pace of the decline seems to have slowed. After the Fed announced another big jump in M1 of \$2.1bn, bringing the increase

another big jump in M1 of term targets, and should remain \$2.1bn, bringing the increase so despite an expected seasonal over the past three weeks to increase in May.

\$13.7bn, the Treasury long bond fell to 95% to yield 10.86 per cent. The price decline on meeting last week, or at some late date, might feel obliged to tighten to retain credibility. For

U.S. INTEREST RATES (%)

Week to Week to Week to Week to Week to May 27 May 20 Fed funds wkiy over 8.72 8.59 3-month T-bills 8.53 8.53 8.35 3-month CDs 8.75 8.65 30-yeor Treas band 10.94 10.82 AAA Utihty 17.75 71.62 AA Industriel 11.75 11.62 Source: Salomon Bros. (estimates), in the week ended May 18 M1 rose by \$2.1bn to \$509.2bn,

the week amounted to over half a point and the decline over the it three weeks to around five and a half points.

The depressed state of the market reflects heightened investor nervousness. For the moment at least the negative factors appear to be over-whelming the positive ones and it looks as though there are more negative ones to come.

The MI surge has placed the narrowest and least reliable at the April 20 auction. ney measure about \$16.8bn over its target and has firmly about \$20bn in fresh cash from focused market attention back note and bond auctions in June on the weekly number. MI is starting with the auction of growing at an annual rate of \$5.75bn of five-year notes togrowing at an annual rate of 15.2 per cent, and while most morrow. nomists continue to believe the Fed will not be swayed by healthy for the corporate sector.

M1 alone, there are nagging Last week corporate prices fol-

The March Federal Open new issue volume dropped to a Market Committee minutes, re-leased on Friday will have done

### Mitsubishi Motors suffers 41 per cent setback

recession in the truck market, 23 per cent.

MITSUBISHI MOTORS suffered passenger cars down by 7 per sales. a 41 per cent fall in pre-tax cent to 548,000 units, and of profits to Y18,06bn (\$6m) trucks by 14 per cent to duce new passenger car models in the year ended March, having been affected by a slump in passenger car sales to the recession in the truck market domestic market dropped by is expected to bottom out. As a recession in the truck market are cent.

Unconsolidated net profits fell In order to restructure its by 4 per cent to Y12.67bn, on domestic sales network, the 9.4 per cent and pre-tax profits sales of Y1,061bn, down by company, last October, bought are forecast of Y24bn, up by 1.9 per cent inventories totaling 30,000 units 33 per cent. Net profits should

result, car sales are expected to reach 1,130,000 units, up by The number of vehicles sold worth Y34.30n from its sales reach Y13bn, up by 2.6 per cent decreased by 10 per cent to subsidiary "Mitsubishi Motor and sales Y1,170bn, up 10 per 1,032,000 units with sales of Sales," which affected overall cent.

### JAL loss smaller than expected

JAPAN AIR LINES has from the previous year's in the airline's interest payreported a pre-tax loss of Y12.1bn profits) together with non-operating losses of Y18.77bn. JAL cites high fuel costs (caused mainly by the deterioration of the yen spectacular decline from the modest profits earned by the airline in 1981-82.

The loss reflects a deficit on operations of Y8.3bn (down operations operations operations of Y8.3bn (down operations operations operations operations operations operations operations operations operations of the previous year's in the airline's interest payrenditus operation of the previous year's in the airline expects business to improve during the current operation of the year as a result of declining deterioration of the year operation of the year as a result of declining operation of the year operation operation of the year operation of the year operation of the year

### Japanese City banks ahead

The Fed gave no clues after the meeting, although the fact that the Fed funds rate did not depart from its recent trading mercial banks posted higher net important to Y1,6185n 44 per emercial banks posted higher net the fourth-highest among the income inthe year to March.

All of the 13 City Banks, except for Daiwa Bank, released their results yesterday, and said net profits rose by between 4.1 per cent and 16.6 per cent.

Six of the 12 crid constitute the fourth-highest among the Mitsui increase Y24.845n fall to Y24.845n fall to

Whatever the figures, credit market activity will probably remain depressed because of Six of the 12 said operating place went to Kyowa Bank revenues declined but only Sanwa Bank saw margins nariow, as net profits rose 4.3 per cent on operating revenues up Hokksido Takushoku Bank's 51.7 per cent suggestion. Treasury debt ceiling. The by 4.4 per cent. International operations re-

\$7.77bn of two-year notes which sold at an average yield of 9.92 per cent, up from 9.61 per cent mained a crucial contributor to revenues with all 12 banks posting double-figure increases, rang-ing from 10.7 per cent at Dal-lchi Kaugye Bank and 51.7 at Hokkaido Takushoku Bank. The Treasury has to raise about \$20bn in fresh cash from Whereas first-half net profits had shown double figure rises at all 13 banks except Kyowa Bank, full-year increases were None of this sounds too more modest. Only Kyowa and Saitama Bank saw full-year increases of more than 10 per

> Sumitomo Bank's net income rose 7.8 per cent to a record Sanwa Bank's net income rose Y59.99bn, the highest in the 4.3 per cent to Y36.64bn while Paul Taylor group but on operating revenues

51.7 per cent surge in revenues from international operations.

Dai-Ichi Kangyo Bank posted the smallest rise in revenues from international operations, a 10.7 per cent rise to Y42.7bn. income rose 4.1 per cent to Y37.08bn on operating revenues down 2.4 per cent to Y1.843bn. Fuji Bank said net income rose 8.3 per cent to Y56.52bn as operating revenues advanced by 7.6 per cent to Y1.778bn.
Mitsubishi Bank lifted net income by 4.4 per cent to Y40.7bn on operating revenues

down 1.9 per cent to Y1,624bn.

4.4 per cent to Y1,572bn.

Mitsui Bank saw net income increase by 7.9 per cent to Y24,84bn despite a 0.3 per cent fall to Y1,205bn in operating

At Tokai Bank net income was 5.0 per cent higher at Y23.13bn. Operating revenues slipped 0.8 per cent to Y1.087bn. Taiyo Kobe Bank lifted net income by 8.7 per cent to Y17.79bn on revenues down 2.4

per cent to Y905.7bn.

Bank of Tokye saw net income ahead by 4.9 per cent to Y24.33bn and operating revenues 3.8 per cent higher at Kyowa Bank's net income rose 11.4 per cent to Y12.12bn while operating revenues fell

19 per cent to Y546.04bn. Saitama Bank's net income was 16.6 per cent higher at 112bn and it's operating revenues rose 4.6 per cent to-Y513.09br Hokkaido Takusheku Bank

lifted net income 8 per cent to 9.33bn and operating revenues by 3.9 per cent to Y417.15bn. operating revenues increased by AP-DJ.

### Downturn for Seiko Watch company

By Our Tokyo Staff

K. HATTORI. the worldwide marketing organisation for Seiko Watch products, suffered a 24.6 per cent setback in un-consolidated pre-tax profits to Yl.8bn in the year to March, Sales fell by 4 per cent to Y350bn but because of a sharp reduction in taxable profits, net profits jumped by 1045 per cent to Y4.97bn. Profits per share improved to Y51.78, from

Y25.33.

Despite a 4.1 per cent increase in sales volume of watches, lower prices of inexpensive watches and higher proportion of such watches in total watch sales, dragged down the value of sales by 7 per cent. Clock sales also fell by 7 per cent but sales of system computers rose by 23 per cent. by 23 per cent.

The deterioration in pre-tax

The deterioration in pre-tax profits was blamed on increased net financial deficits and the suspension of dividend income from overseas subsidiaries.

A rapid recovery in the watch and clock markets is not expected in the current year, but sales of jewellery and system computers are expected. but sales of jewellery and system computers are expected to increase sharply. Dividend income from overseas subsidiaries will also resume and pre-tax profits are expected to increase by 6.2 per cent to Y6.5bn, on sales of Y360bn, up 12.8 per cent.

### Lower sales hit Minibea profit

By Our Tokyo Staff MINIBEA, the Japanese maker of precision bearings, saw uncon-solidated pre-tax profits fall by 12.5 per cent to Y2.5bn (\$10.7m) in the half year ended March as a result of lower sales of machinery components and fasteners to the car industry. Unconsolidated net profits were 25 per cent down at Y1.58bn, on sales of Y45.5bn, up 2.3 per cent. Profits per share for the half year were Y8.57, compared with Y12.71.

For the current full year, the company expects a steep recovery in its main line, bear-ings. Full year sales are expected to to reach a record Y100bn, up by 10 per cent. Operating profits are forecast at Y7.8bn, up by 36.5 per cent, and net profits at Y3.9bn, up

### Australia sets up new inquiry into financial system

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ment is setting up a four-man Campbell, recommended task force to re-examine the entry of foreign banks, country's financial system. Mr Paul Keating, the federal Treasurer, said at the weekend that the new inquiry would consider whether the recommenda-tions of the Campbell Committee of inquiry into the Austra-lian financial system, which re-

Labor's social and economic possible need for admindrational forms.

But the Treasurer has advised forms of domestic borrowing, including indexed government foreign banks not to proceed further with applications for Labor it keen to help facilitate the flow of funds, at modest the previous Liberal-National cost, to the housing, farming party government has said it and small business sectors.

domestic banks

AUSTRALIA'S Labor Govern- chaired by the late Sir as sweeping deregulation of it financial system. The new inquiry is expects to produce a report in about

three to four months. Areas to be studied include recent developments in the financial system, the regulation ported in November 1981, could of banking and of non-bank be used to accommodate financial institutions, and the Labor's social and economic possible need for additional

was prepared to admit about 10

Mr Keating said the new reforeign banks, but Labor would port would "provide the hand
prefer to see licences go to new for issuing publicly an assessdomestic banks. The Campbell Committee, ture of the financial system.

### Grace board comes out in favour of Myer bid

GRACE BROTHERS Holdings, securities, the beleaguered Sydney-based retail and transport group, has advised sharsholders to accept the A\$3.65 a share takeover offer launched last month by able for A\$4 rival retailer Myer Emporium, year's time, represents to an exciter offer. retail and transport group, has advised shareholders to accept the A\$3.65 a share takeover offer launched last month by rival retailer Myer Emporium, able for A\$4.50 cash in three year's time, valued Grace at in preference to an earlier offer by Mr Alan Bond's Bond Corporation Holdings.

Myer's offer, in cash or a paid A\$43m for a 19.7 per cent combination of cash and stake in Grace Brothers

### **Jacobs-Suchard share sale**

Jacobs family's stake in the company formed by the merger last September of the Interfood chocolate group and the Jacobs coffee company.

Jacobs merger, a total of would retain 132,600 bearer shares of SwFr shareholding 500 nominal value and 351,000 voting rights.

UP TO 30,000 bearer shares in registered shares of SwFr 100 Jacobs-Suchard the Swiss foodstuffs concern may be offered
for sale by Colima Holding, of
Zug which holds part of the
Jacobs shareholders. These
were made up of Colima Holding, individual family stake in the and a few persons close to the

ast September of the Interfoodchocolate group and the lacobs coffee company.

At the time of the Interfoodfacobs merger, a total of sacobs merger, a total of sacobs merger, a total of sacobs merger shares of Swfr shareholding and majority shareholding and majority

NEW ISSUE
These Bonds have not been and will not be registered under the United States Securities Act of 1933
and may not be offered or sold in the United States, its territories or possessions or to nationals or residents thereof. These Bands having been sold, this announcement appears as a matter of record only.

tighten to retain credibility. For the moment, most senior Wall Street economists believe this is unlikely.

range was taken as a good sign. Nevertheless, particular atten-tion is likely to be paid in

the prospect of a huge tranche

Last week Congress lifted the

Treasury responded immediately with a snap auction of

lowed Treasury issues down and

of new Treasury offerings.

coming weeks to statistics.

U.S. \$100,000,000

Westpac International Finance B.V.

(Incorporated with limited liability in the Netherlands)

11% Guaranteed Bonds Due 1990

Guaranteed on a subordinated basis by

### **Mestpac Banking Corporation**

(Incorporated with limited liability in the State of New South Wales, Australia)

Merrill Lynch International & Co.

Amro International Limited Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Morgan Grenfell & Co. Limited Morgan Stanley International Orion Royal Bank Limited Société Générale Swiss Bank Corporation International Limited

Banque Indosuez Credit Suisse First Boston Limited Kleinwort, Benson Limited Morgan Guaranty Ltd Nomura International Limited J. Henry Schroder Wagg & Co. Limited Société Générale de Banque S.A. Westpac Finance Asia Limited

Al-Mal Group Arab Banking Corporation (ABC) Banca del Gottanlo Bank Brussel Lambert S.A. Bank für Gottaniler inwirtschaft Bank Gutzwiller, Kurz, Bungener (Overseas) Limited Banque de Neuflize, Schlumberger, Banque de Paris et des Pays-Bas (Suisse) S.A. Banque Privée S.A. Baring Brothers & Co., Limited Bayerische Hypotheken- und Wechsel-Bank B.S.L Underwriters Limited Chase Manhattan Capital Markets Group
Chase Manhattan Lumited CIBC Limited Crédit du Nord Daiwa Europe Limited Dominion Securities Arnes Limited Dresdner Bank Deutsche Girozentrale Effectenbank-Warburg Aktiengesellschaft European Banking Company Fuji International Finance Limited Girozentrale und Bank der österreichischen Sparkassen Hill Samuel & Co. Limited Kidder, Peabody International Limited Kredietbank N.V. Knumit Pacific Finance Company Limited IBJ International Limited Lloyds Bank International LTCB International Limited Manufacturers Hanover Limited B. Metzler Seel, Sohn & Co. Mitsubishi Bank (Europe) S.A. The National Bank of Kuwait S.A.K. Nederlandse Credietbank NV Sal. Oppenheim jr. & Cic. Norddeutsche Landesbank Ord Minnett The Nikko Securities Co., (Europe) Ltd. Pierson, Heldring & Pierson N.V. Rabobank Nederland N.M. Rothschild & Sons Limited Sanwa Bank (Underwriters) Limited Schröder, Munchmeyer, Hengst & Co. Sparbankernas Bank Sparebanken Oslo Akershus Standard Chartered Merchant Bank Limited Strauss, Turnbull & Co. Sumitomo Trust International Limited The Taiyo Kobe Bank (Luxembourg) S.A. Uebersee Limited Union de Banques Arabes et Françaises — U.B.A.F. Westdeutsche Landesbank M.M. Warburg-Brinckmann, Wirtz & Co. Williams & Glyn's Bank plc J. B. Were & Son

Yamaichi International (Europe) Limited

FT INTERNATIONAL BOND SERVICE

Change on Issued Bid Offer day week Yield Amex O/S Fin. 104, 90 100
Amer Bank 13 89 200
Bk. of Tokyo Hd. 11 90 100
British Col. Hyd. 107, 88 200
Canadair 121, 29 175
Canadien Wheat 111, 90 100
CilsC 11 80 75
Cidcorp O/S 103, 80 100
Coca Cola Int. 114, 29 100
Cr. Sulsan Bah. 102, 90 150
Cr. Sulsan Bah. 102, 90 100
EDC 113, 87 100
EDC 103, 88 100
EDC 113, 87 100
EDC 103, 88 100
EDC 103, 88 100
EDC 103, 88 100
EDC 103, 88 100
EDC 103, 85 100
E FLOATING RATE

Average price changes... On day 0 on weak —01CONVERTIBLE Cnv. Cnv.
BONDS Cnv. Bonds Cnv.
Bonds Cnv. Cnv.
Bonds Cnv.

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EUROBOND TURNOVER

Cedel 6.033.7 10,626.7 Last week..... 3,487.6 809.6 Previous week 3,931.1 1,235.4

\* No information availableprevious day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield stranger Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= over price a week

FLOATING RATE NOTES:
Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: De-nominated in dollars unless otherwise indicated. Chg.day= Change on day. Cov. date=First date for conversion into shares. Cnv.price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Per-centage premium of the current centage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Krediet bank NV: Credit Commercial de France; Credit Lyonnals; Commercial de France; Credit Lyonnals; Commercial de France; Credit Lyonnals; Commercial de France; Eanque Generale du Luxembourg SA; Banque Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Krediet bank luxembourg; Krediet bank luxembourg; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) Londont; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambrus Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nomura International; Crion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian; Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 27

Closing prices on May 27

### INTL. COMPANIES & FINANCE

### Another record loss at Montedison

MONTEDISON SPA, the holding company for the Italian chemicals group, has suffered a deficit for 1982 of a record 1.758bn (\$509m), compared with 1.598bn for 1981.

Consolidated turnover rose by only 6.9 per cent to L9,019bn, of which about 40 per cent was exported. The overall loss was 1.860bn, compared with L694bn in 1981.

Closing down operations, in-cluding the recently aunounced move out of the nylon fibres 45 per cent of turnover at this year of many of its plants 45 per cent of turnover at taking into account both this account both this sector. The company argues that 1.4,102bn in 1982 and meant a debt servicing charge of 1.827bn. This, however, was includes only 1.31bn worth of lower than the 1981 figure of extraordinary income, against 1.270bn in 1981, the losses for the two years are of roughly its 1982 losses by recourse to the L121bn with Hercules, the two years are of roughly its 1982 losses by recourse to reserves. But despite this the company for the transfer earlier this year of many of its plants to the transfer earlier this year of many of its plants to the transfer earlier thanks to the transfer earlier this year of many of its plants to the year of many of its plants to the year of many of its plants to the pany's debt, which amounted to 45 per cent of turnover at taking into account both this sector. The company argues that 1.4,102bn in 1982 and meant a debt servicing charge of 1.827bn. This, however, was includes only 1.31bn worth of lower than the 1981 figure of the two years are of roughly income, against 1.967bn.

L270bn in 1982 and meant a taking into account both this lake to servicing the company's cent of turnover at taking into account both this year of many of its plants to to the transfer earlier than year of many of its plants to to the transfer earlier this year of many of its plants to to the transfer earlier this year of many

in 1981.

The holding company loss includes a special provision of L117bn to cover the cost of future re-structuring and year, which was particularly bad in Italy where the recession Italy where the recession arrived later, is one of the main causes of the heavy losses.

Another was the continuing of the petro-chemicals sector,

There are plans to develop further the pharmaceutical sector, led by Farmitalia Carlo Erba, one of Montedison's few profitable subsidiaries.

### Bastogi sharply reduces deficit

agreement by Bastogi's creditor

anes out

ver bid

I share sik

transferred to a new holding transferred tra outstanding short-term debt of L100bn, half was repaid with the proceeds of the IGIM deal, while the remainder has been

BY DAVID HOUSEGO IN PARIS

of its 2,100 workforce.

for 90 per cent of French news-print production, close one of French wood and scrap paper

its two plants at Rouen and to as feedstock. But it shows also make redundant three quarters its willingness to brave the hos-

The decision, announced to Under the plan, the govern-the trades unions over the week-

BASTOGI, the troubled Italian financial company which last year came close to collapse, reported yesterday a sharp fall in 1982 losses to L17.4bn (\$11.6m) compared to the record deficit of L159bn achieved in 1981.

This apparently successful attempt to stem its losses follows agreement by Bastogi's creditor

This apparently successful attempt to stem its losses follows agreement by Bastogi's creditor

Consolidated for five years.

At the same time, Bastogi is in the process of completing a capital increase of its own, from L92bn to L138bn, which will provide it with new working resources. Part is being put up by the banks, but but around half is being provided by Bastogi's established shareholders.

Sig Carlo Pesenti, whose

sgreement by Bastogi's creditor
banks on a rescue package
which significantly reduces its
massive annual debt servicing
charges.

A substantial portion of
surface carried space and substantial portion of culties might have presumented A substantial portion of culties might have prevented Bastogi's property assets were him from doing so.

profit down to L1.01bn for 1982 from L2.21bn in 1981, AP-DJ reports from Milan.
The decline was largely due

tility of the unions Under the plan, the govern-

end, comes 27 months after the provide a new newsprint plant institution, IDI, which currently company filed for bankruptcy. at Saint-Etienne-du Rouvray hold a 50 per cent stake each in Since then a number of rescue near Rouen with a capacity of Chapelle d'Arblay, will be in plans have been put forward 160,000 tonnes a year. In 1981 the new company.

to disappointing results in some food operations, where the com-pany uses the Buitoni trade-mark.

Group turnover rose by 18 per cent to L800bn, with domestic sales rising to L387bn from L331bn and foreign sales up 14 per cent to L422bn.

ERIDANIA Zuccherifici
Nazionali, a major Italian sugar
refiner, has reported net profits

for 1982 up to Ll1bn from L10.02bn. Turnover rose to L659bn from L623bn, and the company gained a net L61.5bn of reserves through the revaluation of its fixed assets to take account of

The company, which is engaged in restructuring and renovating its operations at an estimated cost of L119bn between 1984 and 1986, will propose a one-for-10 rights issue at its AGM, scheduled for

paper concern, Parenco, which is expected to take a 34 per

It is not yet clear what the shareholdings of the Paribas bank and the state investment

institution, IDI, which currently hold a 50 per cent stake each in

Chapelle d'Arblay, will be in

State aid for Chapelle d'Arblay

THE FRENCH Government is including a joint operation with to inject FFr 1.2bn (\$159m) Scandinavian paper producers into Chappelle d'Arblay, the large French paper manufacturer, to help preserve the French newsprint industry.

But it is also demanding that the company, which accounts for 90 per cent of French newsprint industry drawing on paper concern. Parenco, which Canada's highest paid execu-tives, earning C\$222,500 in 1982. He has been president of Dome Mines since 1978 and has been with the group for 30 day the company acknowledged his "significant contribution to Dome Mines, and the gold

> 707-712 (+5) Tel: 01-493 5261

#### Tasfhereau resigns from **Dome Mines**

By Nicholas Hirst in Toronto

MR MALCOLM TASFHEREAU, one of the leading figures in the Canadian gold mining industry, has resigned as president and chief executive of the Toronto based Dome Mines following boardroom disagree-

ments.

"It became apparent I did
not have the full support on
the board to continue as chief
executive officer, of this company," Mr Tasfhereau said at
a press conference yesterday.
Mr Tasfhereau, who is 55,
said there was no single issue
which had resulted in his which had resulted in his resignation, but he said that the debt problems of the company's associate Dome Petroleum, over the past couple of years had been a contributory factor. Dome Mines has a 26.7 per cent stake in Dome Petroleum, and Dome Petroleum in turn holds 39.6 per cent in Dome Mines. Dome Mines lost C\$74.6m (U.S.\$60.6m) in 1982 compared with a profit of C\$91.4m a year earlier. The share of Dome Petroleum's losses attributable to Dome Mines, was C\$110.4m, compared with a profit of

C\$48.3m. Mr Tasfhereau was one of years. In its statement on Fricent stake in a new controlling mining industry.

LADBROKE INDEX

# AMEV in 1982

### A further increase in profits

- Total revenue for the year increased by 11.4% to Dfl 4.270m. All three areas in which the group operates—life assurance, non-life insurance and other activities - made a satisfactory contribution to the rise in revenue.
- Net profit was Dfl 178.4m compared with Dfl 163.6m in 1981. The figure before tax and provisions was Dfl 241.0m (1981: Dfl 229.6m).
- Earnings per ordinary share rose from Dfl 16.38 in 1981 to Dfl 17.43.
- A final dividend of Dfl 5.20 has been declared, making a total for the year of Dfl 7.80.
- In the absence of unforeseen circumstances, a slight increase in profit is expected for 1983.

### Consolidated Profit and Loss Account (thousands of guilders)

Life assurance	1982 152,084	1981 140,88
Non-life insurance	73,975	73,23
Other activities	14,948	15,50
Profit before taxation and		
provisions	241,007	229,62
Net profit	178,429	163,60
<del>-</del>		

### **Five Year Record**

(thousands of guilders)										
Sums Assured	Assets	<b>Profits</b>								
83,317,000	14,935,876	178,429								
75,807,000	13,596,749	163,605								
67,541,000	12,310,192	138,553								
53,727,000	9,768,137	115,128								
46,587,000	8,237,832	95,401								
	Sums Assured 83,317,000 75,807,000 67,541,000 53,727,000	Sums Assured         Assets           83,317,000         14,935,876           75,807,000         13,596,749           67,541,000         12,310,192           53,727,000         9,768,137								

Assets have increased over the 5-year period at a compound rate of 16%, and profits after tax at a compound rate of 17%.

(£1 = approx. 4.45 guilders)

#### AMEV Worldwide

AMEV is an insurance and financial group of international importance and is the second largest insurance group in the Netherlands. Its assets exceed

AMEV comprises 38 companies in ten countries situated in three continents. During the year the group acquired the share capital of Friesch-Hollandsche Hypotheekbank, a Dutch mortgage bank, and a 25% holding in the insurance group Bilbao, one of the larger insurance companies

#### AMEV in the UK

AMEV's operations in the UK are conducted by two closely integrated companies, Gresham Life Assurance Society and AMEV Life Assurance. Gresham is well established in traditional life assurance and pensions business while AMEV Life specialises in the unit-linked field.

Copies of the 1982 Annual Report can be obtained from AMEV Limited at: 2-6 Prince of Wales Road, Bournemouth BH4 9HD. Telephone: 0202 760297

N.V. AMEV Utrecht The Netherlands



### **MINORCO**

### **Minerals and Resources Corporation Limited**

(Incorporated with limited liability in Bermuda) ("the Corporation")

Notice to holders of the 9¼ per cent. Subordinated Bonds 1997 of the Corporation

in the denomination of U.S.\$1,000 each ("the Bonds")

formerly convertible into Ordinary Shares of 1.40 Bermudian dollars each of the Corporation ("Ordinary Shares")

NOTICE IS HEREBY GIVEN to the holders of the 439 Bonds which had not been surrendered for either conversion or redemption prior to 27th May, 1983 ("the Unpresented Bonds") that:-

(1) in accordance with the Conditions endorsed on the Bonds, the trust deed dated 1st February, 1982 ("the Trust Deed") between the Corporation and The Law Debenture Corporation p.l.c. as trustee constituting the Bonds and the Notice to the holders of the Bonds published in the Financial Times on 26th April, 1983, the right to convert the Bonds into Ordinary Shares expired on 18th May, 1983 and the redemption date in respect thereof was 26th May, 1983;

(2) on 27th May, 1983, pursuant to Condition 3(D) and the Trust Deed, The Law Debenture Corporation p.l.c. as trustee (a) exercised its discretion as therein provided and elected to apply the redemption moneys and accrued interest with regard to all Unpresented Bonds in subscribing for such number of Ordinary Shares as would have been issued on conversion of such Bonds on 18th May, 1983 (namely 53,799 Ordinary Shares) and (b) sold the said Ordinary Shares for settlement on 13th June, 1983;

(3) the net proceeds of such sale (which will amount to U.S.\$742,937.78) shall as provided in the Trust Deed be treated for all purposes as the full amount due by the Corporation in respect of the principal amount, premium and interest accrued from 1st February, 1983 in respect of the Unpresented Bonds; and

(4) accordingly, instead of the aggregate of the redemption price and accrued interest of U.S.\$1,079.55 per Bond, the amount of U.S.\$1,692.34 will, subject to and in accordance with Condition 4, be available on and after 14th June, 1983 against due surrender of each Unpresented Bond (together with all relative unmatured Coupons) to the specified office of any of the Paying Agents whose names and specified offices are set out below.

The attention of holders of the Unpresented Bonds is drawn to the Conditions endorsed on the Bonds and in particular Conditions 3(D) and 4 which contain further details regarding the above.

> PRINCIPAL PAYING AGENT Hambros Bank Limited 41 Bishopsgate London EC2P 2AA

Luxembourg Banque Générale du Luxembourg S.A. 14 rue Aldringen Luxembourg

**SUB-PAYING AGENTS** New York Manufacturers and Traders Trust Company . 654 Madison Avenue New York NY 10021

Brussels Morgan Guaranty of New York Avenue des Arts 35 B-1040 Brussels

BY ORDER OF THE BOARD D. E. Fisher · Secretary and Treasurer.

Pembroke, Bermuda. Dated 31st May, 1983.

by the Chairman at the 116th Annual General Meeting held in London on 27th May 1983

Extracts from the Report of the Committee and Statement



### OTTOMAN BANK

Incorporated in Turkey with Limited Liability

**Balance Sheet** 

The Balance Sheet total, £340 million, is down by £20 million due to a fall of 17% in the value of the Turkish Lira against Sterling. This fall could not be offset entirely by the increase in our Turkish business nor, as regards our business outside Turkey, by the increased value of the U.S. Dollar against Sterling. Profit & Loss

The profits outside Turkey have continued to rise, due to high interest rates and the rise in the Dollar income of our subsidiaries in terms of Sterling.

The contribution of our profits in Turkey to the year's results has fallen considerably as a result of the devaluation of the Turkish Lira and the economic crisis which caused many firms to suspend payment, necessitating large provisions. Out of the sums awaiting transfer, after the payment of taxes and passing TLS00 millions (£1,663,617) to local reserves, the Committee have considered it prudent that only £800,000 should be available as profits compared with £1,792,121 the previous year.

The 1982 Profit and Loss account therefore shows a profit of £2,907,975 compared with £3,735,457 in 1981. After including the 1981 profits from Turkey transferred in 1982, i.e. £1,645,114, the amount available at 31st December 1982 is 13,786,876 against 12,578,231 at end 1981, Taking into account the continuing economic crisis in Turkey

the Committee have decided to pass to Reserves £1,300,000. From the remaining amount of £2,486,876 the Committee recommend a distribution of £4.50 per share payable on 17th June 1983. In conformity with Article 40 of the Statutes, £111,111 will be distributed to the holders of Founders' shares at the rate of £514.40 per share and £111,111 to the Committee. Committee

Mr. Desmond Reid, the Chairman of the London Committee, died suddenly on April 23rd last whilst on the Bank's business in Turkey. This was a great shock and is a tragic loss to the Bank, as well as to his many friends.

Baron Hottinguer and Monsleur Mallet retire at this meeting. We thank them for the outstanding service which they have given to the Bank. The Committee have invited Monsieur Jacques de Fouchier to fill one of the vacancles

In Turkey, 1982 saw the consolidation of the authority of the present regime and progress towards the return of parliamentary Government.

On the economic front, the 1980 stabilisation programme was maintained. Inflation was reduced to about 30% per annum and the current account delicit was halved. On the international front, Turkey's credit standing has been reescablished. Internally, tight money policies and high interest rates led to a fall in industrial output. Unemployment worsened and many companies had to face grave financial problems.

The Banking Sector experienced a hazardous year, due to the unfavourable interest rate structure and the substantial increase in doubtful debts.

in these unfavourable conditions, our branches increased their deposits and turnover satisfactorily. Nevertheless, we were unable to avoid an increase in our doubtful debts and have thought it imperative to make large provisions. The outlook for 1983 is not encouraging and the profitability of our Turkish operations may be substantially reduced this

Last year, a report was given on our negotiations for the transfer of our branch network in Turkey to a company established under local law in which the Ottoman Bank would have retained a minority interest. For the time being these discussions have not reached any conclusion. r-whal Hotel Company

The Istanbul Hotel, managed by the local affiliate of Wagons-Lits international, earned a worthwhile profit. The tegal proceedings against the Intercontinental Hotel Corporation are still before the courts.

Société Nouvelle de la Banque de Syrie et du Liban The Société Nouvelle de la Banque de Syrie et du Liban did not suffer the loss of a single member of their staff. The damage to their premises was of a minor nature only. The 1982 Balance Sheet totals LL1.6 billion against about LL1.4 billion at the end of 1981. The net profit after tax amounted to LL8.5 million. Given the uncertainties prevailing in the country, the General Meeting will be asked to approve the

Bank of Tehran Our share of compensation, amounting to just over \$5,329,000, was paid to us earlier this year.

transfer of all the profits to Reserves.

In 1980, the Committee published their valuation of the net assets of the Bank at £60 per share. The Committee believe it would be helpful to bring this valuation up to date. The greater part of the Bank's assets is in currencies other than Sterling and is subject to exchange rate fluctuations. A considerable part consists of banking premises, difficult to value, and shares subject to market fluctuations. With these reservations, the Committee have calculated that the net assets of the Bank stood at about £80 per share at end 1982,

Copies of the Report and Accounts will be obtainable from: The Secretary, Ottoman Bank Representative Office. Dunster House, 37 Mincing Lane, London EC3R 7DN

Ranks Hovis McDongall (RHM), the baking and food processing group, is to offer for sale a 25 per cent stake in Cerebos Pacific, its recently-established Far Eastern holding company, on the Singapore Stock Exchange. The sale is expected to raise the equivalent of \$10 tm before the equivalent of £10.1m before

This flotation will allow Cere-bos to call on local financing and to expand more rapidly in the Far East and Australasia

the Far East and Australasia without putting a further strain on RHM's resources. RHM has been forced to invest heavily to return its UK bread-making operations to profit.

It would also identify the company more closely with the regions in which it operated, RHM said.

RHM said.

Cerebos expects to make an after-tax profit of £3.74m in the year ending July 31 1983. The trend of profits in recent years had been upwards, it said. Net tangible assets at January 31 1983 were £12 tm.

tangible assets at January 31
1983 were £17.1m.
The offer for sale—at S\$1.35
a share— will produce a surplus
over book value of about £7.6m.
This will be treated as an extraordinary item after tax in RHM's
1982-89 accounts.

The sale has been underwritten

The sale has been underwritten by Morgan Grenfell (Asia) and Kim Eng Securities, a Singapore securities firm.

The listing of Cerebos's shares on the Singapore Stock Exchange will begin on July. 8 The offer price puts a total market value of £40.4m on the company.

Cerebos has local manufacturing subsidiaries in Singapore. Cerebos has local manufacturing subsidiaries in Singapore,
Malaysia, Taiwan, Thailand,
Australia and New Zealand, processing and marketing a wide
range of convenience foods
including Brand's Essence of
Chicken.

Chicken.

RHM said there had been no pressure from the Singapore authorities for the flotation.

### FT Share Information

The following securities have been added to the Share Information Service:
Baynes (Charles) (Section: Industrials).
Chuang's (Holdings) (Electricals).
Creet Eastern Mines (Mines Great Eastern Mines (Mines-Australian).
OTL Limited (Trusts, Finance, TDK Corporation (Electricals).

### Cifer USM tender offer

BY DOMINIC LAWSON

Cifer, a Wiltshire-based manufacturer of microcomputers and microprocessor-based computer video terminals, is coming to the USM by way of an offer for sale by tender of 2,087,000 new and 650,000 existing shares at a minimum price of 115p per share.

made £576,000 pre-tax.

No dividend will be peid for that originally the offer was due to impact later in June, but that work was speeded up to ensure a pre-election offer.

Some 16.5 per cent of the equity is held by Technical Deveminimum price of 115p per lognent Capital.

Cifer was founded to develop

share, The offer represents 17.56 per cent of the company's equity, which at the minimum tender which at the minimum tender price is capitalised at £17.92m. The net proceeds of the issue, amounting to £2.2m, will be used to expand the manufacturing capacity of the existing product range and to develop new products.

Clier forecasts that for the current year to September 30 1983 it will make not less than a £1.35m pre-tax profit. At the minimum render price the prospective fully taxed p/e is 27.7.

27.7.

Cifer, which was founded in 1972, has seen its turnover grow steadily, but in 1979 the company made a loss of £137,000.

Mr Terence Cosgrove, Cifer chairman said "at that time there was disagreement within the company as to whether we should import or remain manufacturers." Since then profits have grown rapidly. Last year Cifer made £851,000 and in the six months to the end of March

Some 10.3 per cent of the equity is held by Technical Development Capital.

Cifer was founded to develop electronics equipment for the computer indstry. By 1974 it had extended its range to include computer video display ternals. Since then, the company has developed a range of microprocessor-based terminals. The company's customers generally use Cifer's products for incorporation into larger systems sold by Original Equipment Manufacturers. About 14 per cent of turnover is attributable to supplies to British Telecom.

The offer opens on June 3 and dealings in the company's shares are to begin on June 8. Brokers to the issue are Stock Beech. Mr Harford, partner of Stock Beech and ling the issue, is also a director of Applied Computer Techniques, rival of Cifer, but Cifer's chairman denied that any possible conflict of interest.

Referring to the fact that deaings in Cifer are to start on the day before the General Election, Mr Harford said: "I am slightly nervous, but am facing

### Billam cuts final to 1.4p

In the most difficult trading year experienced by cutler and sheet metal engineer J. Billam, the company reports drastically reduced profits and is halving the dividend.

After £63,000 for the first half,

profits have run down to £5,734 for the full 1982 year, compared with £470,883. The final dividend is cut to 1.4p bringing the net total down from 5.7p to 2.8p. Mr Gordon Billam, the chair-man, has waived his right to the

There is a tax charge of adverse conditions.

### £43,646 (£235,774), leaving a net loss per share of 2.5p (earnings 15.7p).

Mr Billam says the reduced earnings reflect the difficulties which are facing the cutlery and aerospace industires, and "there is little sign of any immediate recovery." In the long term there are indications of some improvement during 1984.

However, in the current year every effort is being made to minimise the effect of the

### Moss Bros climbs to £0.38m

Pre-tax profits of Mess Bros after tax of £430,000. increased from £157,000 to £379,000 in the year to January 31 1983. To this must be added the post-acquisition trading profit of Fairdale of £123,000 making a consolidated total of £502,000.

After tax the earnings per 20p share for the year are 11.78p compared with 3.17p last year. These figures do not include the extraordinary item which amounted to a further profit

Turnover went up by 34 per

In view of the improved profit, the dividend is lifted from 2.2p to 3.55p, with a final of 2.5p. Mr M. G. Moss, chairman, says during the year the Dorking freehold was sold and the cash realised used to help fund the acquisition of Fairdale.

### Setback at Hicking Pentecost

Nottingham-based textile manufacturer and commission dyer, Hicking Pentecost dived into the red in the second six months ended March 31 1983 to end the

year with a pre-tax loss of 5346,000, as against a £191,000 profit previously. At half time the company reported a sharp cut in profits from £130,000 to There is no final dividend and the interim payment of 2p net therefore compares with the previous year's total of 4p per share. Stated deficit per 50p

share came out at 14.3p, against 6.27p earnings before.
Although the company's dyeing division reduced losses from £285,000 to £138,000, the knitting side suffered a turnround from a £476,000 profit to a loss of £210,000.

The trading deficit was £90,000 (£430,000 profit) before interest up from £239,000 to £256,000. Tax took £15,000 (£31,000)

U.S. \$30,000,000

Teollisuuden Voima Oy - Industrins Kraft Ab

Guaranteed Drop-Lock Bonds Due 1991

Unconditionally and irrevocably guaranteed by the

Republic of Finland

In accordance with the provisions of the Bonds, notice is hereby given that for the six month Interest Period from

31st May, 1983 to 30th November, 1983 the Bonds will carry an Interest Rate of 9½% per annum. The relevant Interest Payment Date will be 30th November, 1983 and the Coupon Amount per U.S. \$1,000 will be U.S. \$50-20.

Credit Saisse First Boston Limited

Agent Bank

U.S. \$100,000,000

Manufacturers Hanover

Overseas Capital Corporation

Guaranteed Floating Rate Notes Due 1994

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 31st May, 1983 to 31st August, 1983 the Notes will carry an Interest Rate of 9½% per annum. The relevant Interest Payment Date will be 31st August, 1983 and the Coupon Amount per U.S. \$1,000 will be U.S. \$24.28.

Credit Suisse First Boston Limited

Agent Bank

(TVO Power Co (Incorporated in Finland with limited liability)

U.S. \$30,000,000



### State Bank of India

Floating Rate Notes Due 1987 In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 31st May, 1983 to 30th November, 1983 the Notes will carry an Interest Rate of 918% per annum and the Coupon Amount per U.S. \$1,000 will be U.S. \$49.88.

> Credit Saisse First Boston Limited Agent Bank



### Bergen Bank A/S

Floating Rate Capital Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 31st May. 1983 to 31st August, 1983 the Notes will carry an Interest Rate of 98% per annum. The relevant Interest Payment Date will be 31st August, 1983 and the Coupon Amount per U.S. \$1,000 will be U.S. \$24.60.

> Credit Suisse First Boston Limited Agent Bank

### Bank of Baroda

U.S. \$30,000,000 Floating Rate Notes due 1989 In accordance with the provisions of the above Notes, notice is hereby given that for the six months from 31st May 1963 to

30th November 1983 the Notes will carry an interest rate of 91% per amount. The interest payable on each U.S.\$5,000 Note on the relevant interest payment date, 30th November 1983, against Coupon No 3 will be U.S.\$249.40.

Agent Bank: Lloyds Bank International

### **Central Television** above expectations

pectations.

Central Independent Television the first full trading year since has reported a loss after tax Central became responsible for of £685,000 in 1982, a significant improvement on prospectus ex-

protations.

The company made a pre-tax profit of £2.5m from its ordinary activities. But after formation appears and the closure of the former ATV studios at Elstree, the pre-tax surplus was reduced to £562.000.

1982.

Sir Gordon said that Central was actively considering seeking activities. But after formation a quote on the Unlisted Securities Market at the earliest opportunity. The application would come this year and could would come this year and could the first part of the way was cleared earlier.

So far this year, Central is on target for the prospectus forecast of £3.1m pre-tax profit.

Sir Gordon Hobday, the chairman, said the "considerable achievements" of a first difficult year had put the company on a sound basis for the future.

The current accounts covered the sammer.

The way was cleared earlier this month when the Associated to communications. Corporation disposed of its 51 per cent stake in Central. Sears Investments, Industry and D. C.

Thomson now have 20 per cent each and BPCC/Pergamon holds

#### BOARD MEETINGS

he lollowing companies have notified les of board meetings to the Stock	Premier Consolidated Oilfields June Raeburn Investment Trust June
thange. Such meetings are usually d for the purpose of considering idends. Official indications are not	Alpine Soft Drinks June
Habie as to whether the dividends	Gestings
isions shown below are based inly on last year's timetable.	Churchbury Estates June
TODAY	Etswick-Hopper June Estates and Agency June
ntering MEPC. Inale: Audiotronic, Dominica Inter-	Garford-Lilley Industries June Great Portland Estates
ional, Globa Investment Trust, Inch-	Law Land June

, Transparent I FUTURE DATES

†Amended.



### The Nikko (Luxembourg) S.A.

U.S.\$15,000,000 Negotiable Floating Rate Certificates of Deposit

In accordance with the Conditions of the Certificates of Deposit notice is hereby given that the rate of interest for the period 31st May, 1983 to 30th November, 1983 has been fixed at 9% per cent. per annum.

– Ageni Bank -

البنك السعودى العالمى المحدود Saudi International Bank AL-BANK AL-SAUDI AL-ALAMI LIMITED

### U.S. \$15,000,000

Floating Rate U.S. Dollar Negotiable Certificates of Deposit, due 30th Nov. 1984

THE SAITAMA BANK, LTD. LONDON



accordance with the provision of the Certificates, notice is hereby given that for the six months interest period from 31st May, 1983, to 30th November, 1983, the Certificate: will carry an Interest Rate of 913% per annum. The relevant interest payment date will be 30th November, 1983.

Merrill Lynch International Bank Limited

### SEC

### THE GENERAL ELECTRIC **COMPANY plc**

#### Floating Rate **Unsecured Capital Notes 1986**

For the six months from 1st June 1983 to 30th November 1983 the above mentioned Notes will carry an interest rate of 11%% per annum.

S. G. Warburg & Co. Ltd.

The Industrial Bank of Japan Finance Company N.V.

U.S.\$30,000,000 Guaranteed Floating Rate Notes Due 1988



In accordance with the terms and conditions of the Notes and the provisions of the Refence Agency Agreement between The Industrial Bank of Japan Finance Company N.V., The Industrial Bank of Japan Limited and Citibank, N.A., dated May 17, 1981, notice is hereby given that the Rate of Interest has been fixed at 91% p.a. and that the interest payable on the relevant Interest Payment Date November 30, 1983, against Coupon No. 5 will be INCOAT P. US\$247.81.

May 31, 1983, London By: Citibank, N.A. (CSSI Dept), Reference Agent CITIBANCO

#### Financial Times Tuesday May 31 1983 RECENT ISSUES EQUITIES

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#### FIXED INTEREST STOCKS

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#### "RIGHTS" OFFERS

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### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed ## Announcement last year."

			Announce-		Announce-
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### OTTOMAN BANK

Notice is hereby given that a DIVIDEND at the rate of £4.50 per Share, voted at the General Meeting of Shareholders, held on 27th May, 1983, will be PAYABLE on and after 17th June 1983, in London at 36 Fenchurch Street, E.C.3. The Coupon to be presented is No. 110. The holders of Founders' Shares will receive an amount of £514.40 per whole share payable on the same date and at the same place, against presentation of Coupon No. 53. Coupons must be listed on forms, which can be obtained on application, and left five clear days for examination before payment.

#### BILBAO INTERNATIONAL N.V. (Incorporated with limited liability in the Netherlands) USSS0.000,000

Guaranteed Floating Rate Notes due 1987/90 (redeemable at the option of the Noteholders in 1987)
Unconditionally and irrevocably guaranteed as to payment
of principal and incerest by



### BANCO DE BILBAO, S.A.

(Incorporated with limited liability in Spain) In accordance with the provisions of the Agent Bank Agreement between Bilbao International N.V., Banco de Bilbao, S.A., and Citibank, N.A., dated May 27, 1980, notice is hereby given that the Rate of Interest has been fixed at 91% p.a. and that the interest payable on the relevant Interest Payment Date, November 30, 1983, against Coupon No. 7 in respect of US\$5,000 nominal amount of Notes will be US.\$250.99.

May 31, 1983, London By: Citibank, N.A. (CSSI Dept), Agent Bank

**CITIBANCO** 

### FINANCIAL TIMES SURVEY

Tuesday May 31, 1983

# Rhode Island

A good selling slogan for Rhode Island is 'small is beautiful.' That characteristic has persuaded many big international companies to set up in business there. Robert Mauthner reports on the state's diversity

### Quality of life acts as a lure

RHODE ISLAND, tucked away almost invisibly on the map of the U.S. between Massachusetts and Connecticut along the New companies to set up shop in the England coast, suffers from one pervading complex—it is the smallest state in America.

That fact, in a country as big as the United States, which is sometimes in the habit of is sometimes in the confusing size with quality, is a constant source of anguish to the state authorities and accounts for some of the schizophrenia apparent in the plans for its economic future.

The official propaganda put The official propaganda put the first ever congruence in the first ever congruenc

The official propaganda put out by the state proclaims that Rhode Island is "the biggest little state in the union." It tells us that, within 75 miles of Providence, the state capital, are located 65 has cent capital. are located 65 per cent of New England's population—some 8m

#### Market of 77m

along the excellent interstate routes, there is a market of 45m market of 77m people with an to find first-class industrincome of over \$525bn—and so sites and communications.

The statistics leave one reeling and wondering why Rhode Island does not have a separate seat at the western economic summit in Williamsburg.

VIDENDS

panies, it is true, have their headquarters in Providence for purely historical reasons. Tex-

important textile manufactur-ing regions, and Providence became the centre of his opera-tions. Today, only two of Tex-tron's many offshoots, Gor-ham the cutlery and china company, and Speidel, which makes watchbands and chains, are located in Providence.

Within 300 miles, a mere hop long the excellent interstate outes, there is a market of 45m for nuclear missile submarines, people with a combined income of \$350bn, within 500 miles a Island because they were able market of 77m people with an to find first-class industrial

That is only part of the story, however. One of the recurring themes in conversations with both American and foreign businessmen in Rhode summit in Williamsburg. Island is that they particularly lands are one side of the picture. A much better selling slogan appreciate its "quality of life." ture. Some 400 miles of windwould be "small is beautiful." They like living in Rhode ing shoreline, alternately rocky not only because it is true in Island and that factor has and sandy are another.



problem is deciding

played as big a role in com-panies decisions to locate their operations in the state as any of the facilities and financial incentives which they have been offered.

There are several elements which make up that special quality. The small scale of the place is certainly one of them. You can drive from one end of Rhode Island to the other in one hour and cross the state in less than that.

The beauty of the country-side is another. Rhode Island is both a garden and a maritime state. Its soft and green wood-

Narragansett Bay, with its marinas full of pleasure yachts and seashore restaurants, can Cup yachting race, has been a select resort since the begin-

ning of the 19th century. Finally, the state and its capital are redolent of history, which give them a special appeal. In 1986, Rhode Island will be celebrating the 350th anniversary of its founda-tion by Roger Williams as the first free haven of religious worship in the new world.

Roger Williams, the puritan

of Puritans, broke away from the main colony in Massamally to sever its ties with the Church of England, A Congreit was "a hive of hornets and converted into apartments, the sink into which all the rest of the colonies empty." of the colonies empty their heretics."

That was the establishment's view. The Rhode Islanders believe that their founder was an uncompromisingly indepen-dent man whose ideas about religious liberty were far ahead of his time.

Rhode Island was the only colony which had a constitu-tional form of government from the very start, without any British-appointed administra-tors. It became the first free republic in North America in May 1776 by declaring its inde-pendence two months before the other 12 colonies. A statue of "independent man" still tops the dome of the state capitol

Rhode Island's long history. by American standards, reflected in some of the l and seasone restaurants, can renerted in some of the best justifiably claim to be one of colonial architecture to be the most beautiful estuaries on found in New England and, the American Atlantic coast. Indeed, in the whole of the U.S. Newport, which is situated at Unlike Williamsburg in the mouth of the bay and is the Virginia, which has been turned the mouth of the bay and is the Virginia, which has been turned home of the famous Americas into a kind of living museum complete with fancy dress and horse-drawn carriages, the East Side of Providence, with its late 18th and early 19th century clapboard and red brick houses is a normal residential area.

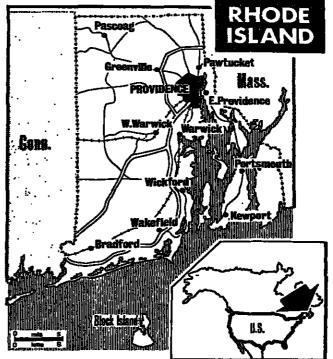
Dominated by the student population of Brown University. one of the Ivy League univer sities, it is very much part of the capital's life and 20th century preoccupations.

A later style of architecture bears witness to Rhode Island's pioneering role in America's industrial revolution. A surprising number of Victorian and shops and restaurants, others still disused, can be found in the northern part of the state, particularly in the Providence

#### Textiles decline

Competition from the developing world, particularly the Asian countries, has drastically reduced the importance of Rhode Island's textile industry. In the last 15 years, the number of workers employed in the industry has dropped from some 55,000 to no more than 14,000 out of a total civilian labour force in the state of some 460,000.

Many of the companies that end of the scale, using modern remain have successfully switched from traditional acti-



vities such as the manufacture as Johnson Matthey, the deversias Johnson Matthey, the deversi-fied British banking and precious metals group, which recently spent some \$20m in acquiring the East Providence of cloth and ready-made cloth-ing to more sophisticated textile products like seat-belts for cars and aircraft.

The other traditional indus- jewelry company Catamore.
try in the state, the manufacture of jewelry, has also suffered a sharp decline in the number of workers it employs, but Rhode Island nevertheless remains one of the main costume jewelry as jewelry leasing, could have a salutary effect on the Rhode centres in the world.

The origins of the industry Island jewelry industry, much go back to 1794, when Nehemiah of which appears to be too anti-process which made jewelry form. Dodge invented a gold-plating process which made jewelry accessible to a much larger section of the population than before. The manufacture of jewelry eventually overtook tentiles are the state's most textiles as the state's most important industry and today it still comprises about 1,000 companies employing 25,000 people.

sidiaries. They include such Some of these, it is true, are no more than tiny workshops, well-known names as Hoechst, the West German chemical whose Dickensian working con-ditions were severely criticised company, Metal Box, John Brown, BTR and Cadbury by the excellent Rhode Island newspaper, the Providence Journal, in a series of articles Schweppes of Britain and Ciba Geigy, the Swiss pharma-ceuticals group, which is intwo years ago.

That is only part of At the other manufacturing and marketing techniques, are such companies

CONTENTS

Economic Planning Economic Prairing
How far to pursue high

Financial Sector Smallest state attracts big

**Business Incentives** Ace up the sleeve: first

Coping with the accelerating pace of technological pro-

class industrial parks

Holiday plenty Lure of the America's

Editorial production: Arthur Dawson Design: Philip Hunt

reflect the growing industrial diversification of the state's economy. The traditional in-dustries are still there but they

have been complemented by a number of high technology activities. Some of the most sophisticated work is going on at Raytheon Company's submarine signal livision in Portsmouth and at Johnson Matthey, which has struck fear into the hearts of the local industry with its inte-grated operations and sophisti-cated marketing methods such the Naval Underwater Systems Centre at Newport. Indeed, defence contracts, valued at several hundreds of millions of dollars last year, were instru-mental in cushioning Rhode Island's economy against some of the worst effects of the

The main problem exercising the state's administrators as the country's economic recovery is beginning to get under way, Johnson Matthey is one of is whether the biggest effort should go into modernising and developing traditional about 40 foreign companies, about one-third of which are developing traditional British, which have found a home in Rhode Island via subindustry

Foreign companies

disposal of chemical waste into

Much ink and words will be cussed in a subsequent article in this survey, is resolved. What is clear is that to go all out for "high tech" while allowing traditional industry to go to the wall would be a very risky volved in a dispute over its business given the strong competition. Rhode Island may be the waters of Narragansett Bay. the smallest state in the U.S., The diversity of these com- but its proble panies and their activities anyone else's. but its problems are as big as

# National Bank.



### One of Rhode Island's greatest resources.

Those who visit Rhode Island are struck by the wealth of resources here. Among them is Fleet National Bank. We are the core of a \$41/2 billion diversified

financial services company.

The business resource. Fleet is Rhode Island's oldest and largest bank and a leader nationwide. Our services include a full range of commercial banking activities with special emphasis on energy, communications, jewelry and precious metals, commercial fishing and other financial

institutions. Of interest to those establishing a business in our home

area are Fleet's capabilities in real estate banking. With our affiliate Fleet Mortgage, we are the fifth largest mortgage banker in the U.S. and the second largest commercial real estate lender in the region.

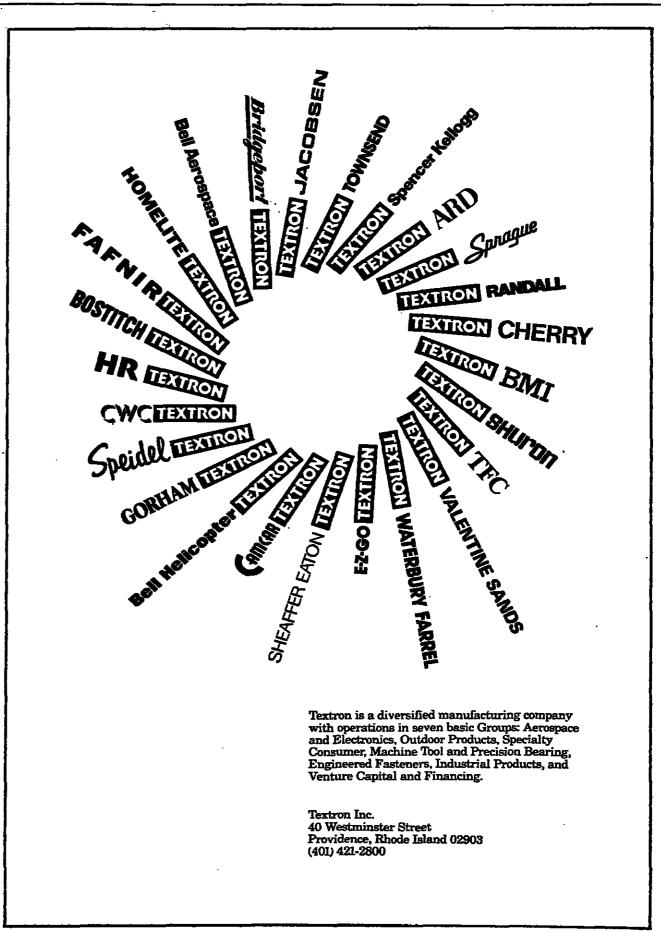
Should your plans extendbeyond New England, Fleet can easily assist your growth. Through our parent organization, Fleet Financial Group, we have over 200 offices spread strategically across the United States.

The international resource. Fleet has a fully staffed operating branch in London, as well as Fleet International Bank in New York City. There is

also a representative office in Cairo and a newly opened subsidiary in Hong Kong. We offer 24-hour-a-day worldwide coverage in handling any international financial needs.

Our London office is located at 52 Cannon Street, London, EC4N 6LY, England-Phone: 01-248-9531. In the United States contact Robert J. Higgins, Executive Vice President at (401) 278-5777, or write to him at 111 Westminster Street, Providence, RI 02903.

Fleet National Bank Member FDIC



### RHODE ISLAND II

Strategic Development Commission seeks consensus

### Economic aims in the melting pot



A S A STEEL CONTRACTOR OF THE STEEL STEEL

Governor J. Joseph Garrahy is pleased to announce the opening of the

### STATE OF RHODE ISLAND

### **EUROPEAN OFFICE**

in Geneva, Switzerland

For your convenience the Rhode Island Department of Economic Development now has a full service office in Geneva, Switzerland. Our professional staff can provide complete assistance to all European-based companies interested in foreign direct investment or international trade opportunities in the State of Rhode Island.

For more information about Rhode Island please contact:

Norton L. Berman, Director Rhode Island Department of Economic Development 7 Jackson Walkway Providence, Rhode Island 02903 (401) 277-2601

Rhode Island European Office 10, bd James-Fazy 1201 Geneva, Switzerland (022) 31 69 60

Energy costs. Customer | choosing a bank that understands the nature of credit. Employment. doing business here. Any Regulations. Like our bank can offer basic famous weather, the elements of doing busicorporate services. But ness in New England can how those services are provided is what makes (predictable, Citizens a breath of ne of the best ways to fresh air. Survive the elements. Your Citizens corporate banker has earned a reputation for knowing the patterns of the New England business climate. and hew they can affect yer So he'll be able to provide the right services and guidance to create an athosphere for growth. And because he specializes in long-term client relationships, he'll also keep a constant eve on the Thomas W. Hougland, Senior Vice No bank can predict what tomorrow will bring. For more information, But with over \$1 billion in call or write Thomas W. Hoagland, Senior Vice assets and a firm commit-President at the Corporate ment to helping New Banking Group, Citizens England businesses Bank, 146 Westminster survive the elements, Citizens can make the Street, Providence, RI 02903, (401) 456-7440. future a lot brighter.

ECONOMIC PLANNING may be 2 dirty term in the White House in Washington but it is all the rage in Democration and including the rage in Democration with the views of the Commission Chairman, Mr Murray, and Rhode Island, the smallest state even less with those of the in the country is more warried brilliant. in the country, is more worried brilliant 35-year-old inter-than most that tough inter-national, not to mention Mr Ira Magaziner, who is domestic, competition will volunteering his services to leave it standing as the new conduct the Commission's com-

deprived of advanced industries, it is that they are not deeply enough implanted or spread widely enough to compensate for the relative decline of a number of traditional industries such as textiles and international competition and industrial policy. Probably

Financial Group and channel of the newly-created Rhode Island Strategic Development the state level in the state of control of the astate of only Im population, the lack of breadth and depth of the economy is the over-ding problem."

That problem most comprehensive ever done of an American state's economy, smecial skills of his

place alone is unlikely to pro-vide a solution is why Rhode Island is currently so planning conscious. The term, in an American context, must be

The following are examples understood somewhat differently from the way it is sometimes used in Europe.

The following are examples the in-depth data that is being gathered:

Information on cost structure.

#### Exhaustive study

The idea is not for the state authorities to impose an indus-trial policy but, on the basis of an exhaustive study, to create the right conditions for the future economic development

With this end in mind, two significant steps have been taken by the state since the autumn of last year. Governor Garrahy set up the Strategic Development Commission with a membership of 15 of the state's most prominent business and educational figures and Mr Norton L. Berman was appointed as the dynamic new Director of what had become a rather sleepy Department of Economic Development (DED).

When the Commission was formed there was some consistitutions in the state to find out more during the next few years in traditional industrials" in the decade, is sufficient numbers to replace all the jobs in its traditional standing complicated local economic sectors.

The foreseeable future of Rhode Island's economy there-institutions in the state to existing industries such as mission come mission complicated. state's most prominent business and educational figures and Mr

strongly influenced by a report
drawn up by the New England
Board of Higher Education on
the links between higher education and advanced technology companies

and using more emcient and therefore more competitive.

The aim is to reach a consensus the links between higher education and advanced technology companies

and using more emcient and the reach is to reach a consensus therefore more competitive.

Certainly, they are not and that necessarily means a popular to attracting some advanced technology companies.

As someone described it in the links between higher edu-cation and advanced technology, problems as how to stabilise as part of the overall plan, but typical American fashion on a clearly felt that the Commission and selectively expand Rhode they see "high tech" mainly as local radio station: "the bottom should be devoting most of its Island's industrial base, what contributing to improving line is having to meet in the energies to promoting high new growth areas should be existing industries.

technological revolution gathers prehensive study. The final con-pace. It is not that Rhode Island is to be published in July this

machine tools.

As Mr J. Terrence Murray, harbours long-term national the chairman of the Fleet politico-economic ambitions. Financial Group and chairman For the moment, however, he is

Providence-based business con-sultancy firm, Telesis Inc., which also has foreign offices in Paris and Melbourne.

 Information on cost structures, competitive positions, growth prospects, labour force characteristics, investment pat-terns and company structure will be compiled for almost every company in the state which trades with the outside world.

 An analysis will be made of every company with over 50 employees which has gone out of business or moved from the state or which has shed more than 100 jobs during the past

• Direct interviews will be conducted with all small businesses

formed, there was some con-fusion about its aims. The Governor, who had been strongly influenced by a report

The recommendations to be



Norton L. Berman, dynamic new Director of Department of Economic Development

appears to be in on the act. doubt They have emphasised that steps, there are now 18 states with Whi technology advisory councils and 19 programmes in various parts of the country to promote university industry

#### Competition

With so much competition around it is unlikely that a small state like Rhode Island could attract new industries

technological partnerships.

A similar line is being taken by Berman at the DED, who has started his term of office with an information-gathering bills, aimed at finding out what the business community really feels about the economic develop-

ment of the state. While Berman is also very much concerned with expanding and improving existing ludustries in Rhode Island — he would hardly have been hired in the present climate if he was not — the DED director is also very interested in attracting

foreign business to the state. In a previous post as Director of the Office of Eco-nomic Development of the Michigan Department of Commerce. Berman built up some thing of a reputation for his ability to develop the state's international relations. He will certainly try to do the same for Rhode Island, as the opening of a representative European office in Geneva clearly demon-

developed, how to improve the state's infrastructure and how to provide better training facilities.

Although it will be another two months before the detailed recommendations are made public, the general trend of the Commission's thinking is already clear.

Strates.

With some 40 subsidiaries of foreign companies present today on Rhode Island soil a solid international economic climate has already been created in the state. If such famous names as John Brown, Hawker Siddeley, Metal Box and Cadbury Schweppes of the Commission's thinking is already clear.

Both Mr Murray and Mr Magaziner spurn the view that "high tech" is the answer to the state's basic economic problems, particularly given have found the Rhode Island appears to be in on the act. doubtedly follow in their foot-

> the debate about the future economic development of economic development of Rhode Island is that the intel-lectual arguments about the whole subject have become unrealistically polarised, at least in the way they have been presented to the public.

A kind of baseball match mentality in which the "High Techs" square up to the "traditional industrials" in the key encounter of the decade, is

fore lies mainly in making existing industries such as jewellery, textiles, boat-building recommendations, the choice and fishing more efficient and will be less clearcut that that the aim is to reach a consensus.

### Strong banking sector for small state

RHODE ISLANDERS like to joke that their banks are much bigger than their state and it is not so very far from the truth. The bank buildings dominate downtown Providence, making it look like a mini-Manhattan, and their holding companies have spread their tentacles far beyond the state's borders and even abroad.

By far the most important financial institution in the state is the Fleet Financial Group, formerly the Industrial National Corporation, a \$4.5bn asset financial services company. It has more than 200 offices in 23 states and five foreign countries, including a full branch in London, a deposit-taking company in Hong Kong and a branch in the Cayman Islands. By far the most important

Cayman Islands.

One of the country's oldest financial institutions—it was founded in 1791 and has paid dividends without interruption since 1792—Fleet's services are very diversified, both functionally and geographically. They range from commercial and trust banking to consumer finance, mortgage and real estate banking, leasing and factoring, venture capital and data processing.

toring, venture capital and data processing.

The group's results have been particularly encouraging recently. Net earnings in 1982 increased to an all-time record of nearly \$40m, or \$6.36 per share, a year-on-year rise of as much as 15 per cent. Currently, well over 50 per cent of the group's earnings are generated.

well over 50 per cent of the group's earnings are generated outside the state.

First quarter results this year continue the very satisfactory trend with a record net income (after security transactions) of \$10.9m, up 10 per cent over the same period of 1982. Investment analysis agree that the Fleet Financial Group

will maintain its good performance this year and will there-fore remain an excellent stock exchange investment. Earlier this year, Salomon

Bros forecast another in-crease in profits of nearly 11

CITIZENS BANK

Member FDIC

The financial and commercial heart of Providence, capital of Rhode Island. To the left is the tower of the Industrial Bank Building. The Hospital Trust Tower dominates the centre of the view

view of analysis that Fleet, at loss in 1981 of \$14.7m, caused the moment the 55th largest mainly by the sale of some banking institution in the U.S., \$200m of fixed rate loans and is particularly well-placed to take advantage of the forthcoming relaxation of interstate earning banking barriers in the New share. England region. A large amount of capital has recently been bank's raised by the group with an eye to expansion and it has already acquired stakes in other New England banks.

Banking Bill
Fellowing in the footsteps of
Maine and Massachusetts, the
Rhode Island General Assembly has just passed an inter-state banking Bill, which will permit bank acquisitions and mergers in states with similar laws. The legislation, which is due to come into effect on July 1 1984, will be restricted to the per cent in 1983, or about \$7
per share, while Keefe, the bank
securities specialists, heaped
the following praise on the
Providence-based group:

"We continue to regard Fleet

"We continue to regard Fleet

Diversification is also the

securities, was back on the road to recovery in 1982 with net earnings of \$14m, or \$3.77 per

The sale of 11 per cent of the hank's low yielding assets was explained by the management of the bank as a deliberate move to improve the balance between interest rate sensitive assets and liabilities,

The other side of the coin is The other side of the coin is that Old Stone is presently realising extraordinary tax credits from the sale. In the first quarter of 1983, its net earnings were up by as much as 32 per cent over the same period last year to \$3.6m.

Graham Mortgage Corporation, a subsidiary of Manufacturers National Bank of Detroit. By contrast, the performance of Hospital Trust Corporation, which owes its name to its origins as a fund-raising institution for a hospital trust in the second sec tion for a hospital built after the Civil War, was distinctly

disappointing.

Having pushed its market diversification and geographical expansion programme somewhat too quickly to cope with the accelerated deregulation of the financial services industry in the U.S., Hospital Trust-last year suffered an impressedented disappointing. year suffered an unprecedented decline of 62 per cent in its earnings. It loan losses and operating costs were also much higher than expected.

period last year to \$3.6m.

Like Fleet, which saw its mortgage banking and real estate earnings jump to a spectatal earning jump to a spectatal earning jump to a spectatal earning spectatal earning in the first quarter is largely its man expected. As a result, some fundamental changes in the manage made and financial control has been tightened up significantly. Whatever its recent and problem to the first quarter is largely to the first quarter is largely its more fundamental changes in the manage made and financial control has been tightened up significantly.

the following praise on the Providence-based group:

"We continue to regard Fleet as a very attractive stock for long-term investors. After all, its not often we find a bank that sells at six times earnings and offers investors the combination of an 18.5 per cent current return on equity."

Equally important is the long-term investors and offers investors the combination of an 18.5 per cent current return on equity.

The Mampshire are considering in the first quarter is largely the result of its activities in the most interesting of the same sector. However, it is shark is internationally known fifth place in the nation's table of largest mortgage bankers last supplier in the U.S., an important is the largest industrial gold score and internation of the largest mortgage servicing portfolio for levels and providence-based group:

Old Stone's strong performance in the first quarter is largely the result of its activities in the most interesting of the same sector. However, it is shark is internationally known fifth place in the nation's table of largest mortgage bankers last supplier in the U.S., an important is the largest mortgage servicing portfolio for largest mortgage largest mortgage largest mortgage la

### RHODE ISLAND III

First-class industrial parks are among the lures for companies

### Business climate brightens

IN ITS efforts to revitalise the Rhode Island economy the state's Department of Economic Development (DED) has one big ace up its sleeve: it can offer industrial companies some first-class sites for their operations

Among the various industrial parks available, by far the most impressive is the 800 acres at Quonset Point/Davisville, which was once an important navail airbase. When the U.S. fleet left Rhode Island in 1974 for warm water facilities where it could train all the year round, it left behind it a huge flat area with infrastructure facilities second to none.

Situated less than 30 minutes drive south from Providence just off interstate route 95, the Quonset/Davisville park can boast three major piars which provide more than 6,800 linear feet of dockage on Narragansett Bay and a 30-ft shipping channel leading to the Atlantic.

In addition it has its own airport with a main runway of 8,000 ft, which can handle the biggest cargo planes and a rail system which connects directly with the main ConRail line.

Although the park is still relatively empty for reasons relatively empty for reasons which are not very clear, the state has managed to land one very big fish, General Dynamics' Electric Boat division, which manufactures hull sections for the Trident nuclear missile submarine and employs some 5000 people

5,000 people.
The Electric Boat plant at Quonset Point prides itself on being the largest non-unionised facility in the north-east region of the U.S. which, in American eyes, is a plus point and should appeal to other prospective

appeal to other prospective tenants of the park.

Another area which state and city authorities are very anxious to develop is the Port of Providence at the head of Narragansett Bay. This has a 40-ft channel, 600 to 1,300 ft wide, and a municipal wharf owned and operated by the City owned and operated by the City of Providence, with 4,750 ft of

li state

Still an important entry point for imported motor cars, the capital's port has obviously seen better days and suffers very much from the competition of the bigger and more



The 800-acre Quouset Point/Davisville industrial park was once an important naval base

the U.S. and foreign companies trading with the outside world.

ports goods into the U.S. and

then re-exports them to a third

country must pay duty on the goods even though the ultimate

destination is the U.S. market.

When the goods are imported into a foreign trade zone, the

company can transform and re-port them without the goods

ever entering a U.S. customs

look as if it is open for business authorities are very confident rather than a junk heap, as at that it will be granted. present," Mr William H. D. If it is, that would be a real Goddard, Chairman of the breakthrough or the economic Providence Port Commission

wryly remarked. The plan is to turn it into an industrial port in which the city authorities will operate joint ventures with private business. The process has already started with the acquisition by two businessmen, with the financial help of the city, of two container cranes capable of handling 40 standard 40-ft boxes an hour.

### Handling target

The current handling target for the port is 10,000 containers a year, which would bring in a substantial sum for the city in docking and storage fees, though it will probably require the transfer of automobiles at present stored at the port of Providence to Quonset Point.

All this is small beer, how-ever, compared with the state's plans to transform the Providence port area, as well as the 800 acres of land at Quonset Point/Davisville into so-called Foreign Trade Zones.

An application to this effect was formally submitted to the relevant Federal authorities in efficient port of Boston in Washington in mid-May and neighbouring Massachusetts. Will take up to nine months to launched a persuasive cam-paign to attract companies to the state and the Desire the state and the Department of Economic Development has issued a comprehensive booklet setting out the advantages offered to foreign investors.

Taken in conjunction with the good quality of the industrial sites which the state is making available and the likelihood that the foreign trade zone application will be granted, Rhode Island's incentive packages are now probably as good as most and better than some.

The business climate has undoubtly improved since the 1982 revision of the state's workers' unemployment compensation tax system which, judging by all the complaints one hears from local business

men, has been very burdensome.
Rhode Island is only one of
two American states which pays
unemployment benefit to workers, but it now has a more flexible rate system under which rates paid by employers range from 2.8 to 6 per cent of the first \$9,200 paid to employees. Rhode Island offers new in-dustries three types of financing If it is, that would be a real breakthrough or the economic development of Rhode Island and provide a major opening to

1. Industrial revenue bonds issued by the Rhade Island Port Authority and Economic Development Corporation pro-At the moment, Rhode Island is the only New England state without such a zone.

The practical effect of foreign vide up to 100 per cent financ-ing for industrial and commercial projects up to \$10m at tax trade zone status was explained

exempt rates.
2. The insured mortgage finby Mr Norton L. Berman, Director of the D.E.D., before his departure for Washington to present the application. Normally, a company which imancing programme provides mortgage insurance for industrial construction, renovation and expansion of existing facilirepayment of the first mortgage up to 90 per cent of the
total cost of industrial real
estate and up to 80 per cent for
new machinery and equipment
to a maximum of 55m.

3. Insured revenue bond financing reduces the interest rate for smaller companies that would not qualify for Industrial

territory. As a result, no duty has to be paid on them. Revenue Bond financing.

The financing programmes go hand-in-hand with a number of Moreover, duties on components are often higher than on finished products. By assembling components in a foreign trace zone, a company can bring a finished product into the U.S. gustoms territory at a lung. significant tax incentives, in-cluding exemption from local property tax on new manufac-turers located in Rhode Island customs territory at a lower tariff than if it had officially and exemption from sales tax on manufacturing machinery imported components for assembly without passing through a foreign trade zone.

In addition, the state reim-burses employers for up to 50 eighbouring Massachusetts. will take up to nine months to In common with other states per cent of special on-the-job "Our aim is to make the place" process. The state and city in the U.S., Rhode Island has training programmes. Serving Rhode Island since 1867

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### RIHT Financial Corporation

Member, P.D.I.C.

# Education stresses 'high-tech'

WHATEVER the final recommendations of the Rhode Island Strategic Development there can be no doubt that condevoted to the state's universities and institutes of higher learning. In the U.S., even more than elsewhere, great emphasis is being laid on the need to produce a sufficient number of highly qualified scientists, eugineers, technicians and doctors to take advantage of the accelerating pace of technological progress. The Rhode Island administra-

tion is clearly aware of the favourable impact that good universities can have on the surrounding environment. One only has to look at neighbouring Massachusetts to realise what the effect of the famous Massachusetts Institute of Tech-nology (MIT) has been. A senior member of the

Brown University teaching staff in Providence has pointed out that both the development of "high-tech" industries on route 128 around Boston and in Silicon Valley in California has been due largely to the research activities of MIT, in the first case, and Stanford University in the second.

The spin-off for the Rhode Island economy from the state's institutions of higher education has certainly been less spectacular so far, but there are signs that things could change years soon.

Rhode Island and its capital Providence, are fortunate in being the home of Brown the country's seventh oldest college. One of the reputedly exclusive New England Ivy League universities, of which Harvard and Yale are the best known members, Brown looks every bit the venerable institu-tion that it is.

### Green and leafy

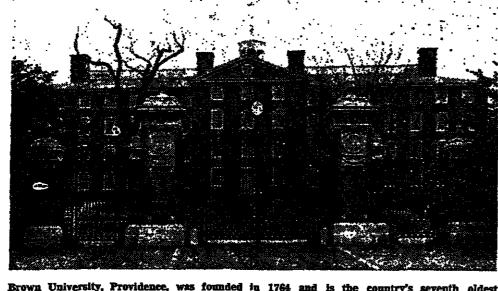
Situated on a hill in Eastern Providence in a green and leafy district full of historic 18th and early 19th century buildings—a kind of New England Oxford or Cambridge—the visitor could be forgiven for thinking that Brown was somewhat remote

from the real world.

That, however, would be a mistake. Over the past decade. Brown has made a serious effort not only to rid itself of the stuffy image sometimes associated with Ivy League colleges, but to hoist itself into the second half of the 20th

traditional universities have returned to more rigid curriculi rollowing the educational upheavals of the Strategic Development contribute of the late 60s, Brown prides mittee's final report.

But the field in which Brown the wanguard of itself on providing a particularly flexible curriculum. Arts is really in the vanguard of



Brown University, Providence, was founded in 1764 and is the country's seventh oldest

as they are in the other Ivv League universities.

Considerable care is taken by the student admissions committee to achieve a balanced social, geographical and racial mix among new undergraduates. As a result, Brown has recently become the most popular of all the Ivy League colleges, beating even Harvard and Yale for the number of entry applications. This year, it received more than 13,000 applications for just over 1,300 places.

The university has also built a solid reputation for itself in the medical field, though it has had a medical school for little more than a decade. While it does not have its own teaching hospitals, it is closely associated with eight community hospitals in the state, where all the students' clinical education is

Brown's medical programme has had a great impact on medical care in Rhode Island. Hospitals affiliated with the university find they can attract and retain highly qualified American trained physicians, whereas before, 50 to 60 per cent of the doctors in the state's hospitals were graduates of foreign medical schools.

Rhode Island's economic planners hope that, now the breakthrough has been made, the state can also become the centre of a profitable medicare products industry. This sug-gestion will probably figure in the Strategic Development Com-

students are encouraged to put their own courses together and are not required to take a number of compulsory subjects, as they are in the other Ivy in the first step towards the creation of an ambitious com-

### Time-sharing

Under a \$50m to \$70m plan now being considered by the university authorities, it is proposed that the present time-sharing accounts on a large mainframe computer system should be replaced by a system of powerful personal computers.

These are described as "scholars' workstations." which would provide the kind of services traditionally offered by a full-time research assistant and would be highly sophisticated in their analytical techniques. The workstations will become

available to students as early as the next academic year and, by 1989, some 10,000 will be provided on the university campus. Both the privately endowed Brown University and the state-funded University of Rhode Island are co-operating more with private industry in joint research projects. Brown pioneered a partnership arrangement with an industrial comparation which has since corporation which has since been copied by other univer-

Under this arrangement, and market products developed by an engineering professor at Brown who is perfecting a system of voice commands

In return the company has given the university a large block of shares in Sphere which could amount to a very substan tial financial endowment for the university's Laboratory for Engineering Man/Machines Systems if the enterprise proves

to be successful. In the words of the Governor

of Rhode Island, Mr Joseph Garrahy: "This is a good example of how strong links between industry and our universities' research capabilities can lead to exciting com-mercial applications that will provide new jobs for Rhode Islanders."

The University of Rhode Island, meanwhile, has created a joint research centre with local industrial companies on robotics with the aid of a large grant from the National Science Poundation. The target is to attract some 60 companies to the next few years.

URI, though not as famous as Brown, is making a substantial contribution to the state's economy. Situated in South Kingstown, some 30 miles south of Providence and only six miles from the sea, the university has an excellent department of oceanography, reputed to be one of the best in the country. Graduates from URI provide

about 15 per cent of the engineering staff of the nearby Naval Underwater Systems Centre. But it is an unfortunate Sphere Technology Inc of fact that a university which is Providence will manufacture obliged—unlike Brown—to take obliged—unlike Brown—to take a high proportion of Rhode Islanders among its students still loses most of its engineer ing, computer and other gradu

ates to other states.



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There are both business and personal reasons. Rhode Island is convenient to American and

overseas cities, with excellent transportation and shipping facilities. It's strategically located between Boston and New York, in the largest multi-city market area in the United States.

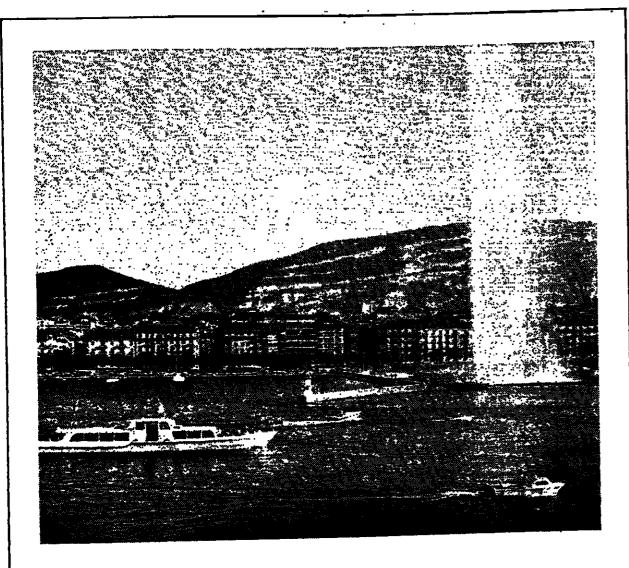
With over 400 miles of coastline. Rhode Island is a recreational paradise. The home of the America's Cup, it also boasts miles of unspoiled beaches and nearby mountains.

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André Laus President and Chief Executive Officer Fram Corporation



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THE AMERICA'S CUP, probably the world's most prestiglous yacht race, which is being held between June and September in Newport this year, has become very hig business indeed. Millions of dollars are being

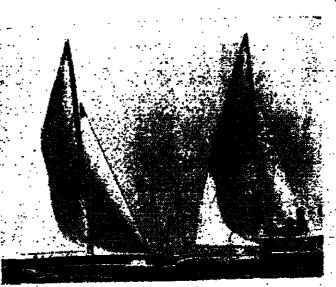
poured by this year's challengers for the "Auld from Mug "—syndicates from Annual Carada Britain, Australia, Canada, France and Italy—into their attempts to win a trophy which has been in American hands since 1851.

In that year, the schoone America crossed the Atlantic to beat all the British cometitors in a race round the Isle of Wight Between 1869 and 1981, 24 unsuccessful challenges for the elusive cup have been made by Britain, Australia, Canada, France and

Until very recently, the challenging boats have been hampered by lack of finance and efficient organisation, and efficient organisation, coupled with the severe handicap of having to race far from home. But this year, Peter de Savary, the 38-year-old British financier who formed the Victory syndicate in 1980, believes he has both the money and the organisation to mount a successful challenge.

Chewing on a fat Havana cigar in the inxurious living quarters of his ocean-going motor launch Kalizma, once the property of Richard Burton and Elizabeth Taylor and now his temporary Newport home, de Savary readily admits that he will have spent some \$8m on the challenge since 1980.

That is about twice as much as the \$4m which each of the two American syndi-cates—the Freedom and



### America's Cup is big business

The money does not, of course, all come out of de Savary's own pocket. Some 30 to 40 companies are involved to 40 companies are involved in sponsoring Victory 83 and de Savary estimates that the amount of free equipment and services the syndicate has received at about \$1m. "And the ball is only just starting to roll."

"In addition, we will have a lot of hardware to sell at the end, win or lose. We do, after all, own four 12-metre yachts." These include two new boats, Victory 82 and Victory 83, the 1980 British

sparring partner for y 83.

The amount of money spent on the boats, bowever, is relatively small compared with infrastructure and general running costs. The Victory syndicate has to house and feed some 82 people altogether, including several wives and children, for which

wives and children, for which purpose it has rented four houses in Newport.

Its back-up organisation is formidable, including a fully-equipped workshop, which can do all but the most major repairs to boats and equip-ment, and several support

the U.S. Press that the res why the challengers have a hefore is that they now have access to advanced American

chnological equipment. While it was true that everyone had the right to buy equipment and materials "off the shelf," that was as far as it went. "Our boat must be designed in Britain and see can use an American loft

stitch the sails together."

He pointed out that while
the Victory syndicate had shandoned because it was found that the British product was better. The U.S. duct was better. The U.S. syndicates had themselves acquired British winches, which showed that the technical traffic was not all one

In the case of computers, the rule was that they could be bought "off the shelf" as

"We are encouraged that
"We are encouraged that
we've got the best challenge
ever," Peter de Savary said.
"There is no reason why the
best from Britain is not good
enough?"

THE PARTY OF THE P

In the last re it was the human factor which counted most. "You can have the finest hardware and still not win the America's Cup." The main reason why the Americans had always won the race in the past was that their teamwork was so much better. The chief problem en the British side was for a set of highly-talented individuals to suppress their eges and of highly-talented insurantus to suppress their eggs and work as a team. "Very great progress had been made in that direction," do Savary



Rosecliffe, modelled after the Grand Trianon at Versailles, is now owned by the Preservation Society of Newport County

Newport has everything from lovely beaches to historic houses

### Where cottages are palaces

HOWEVER hard the economic planners may try, they are unlikely to come up with a more successful formula for attracting money, business and visitors from the hot and humid visitors from the hot earliest come to be known as America's "gilded age." to build

which was inscindingly asserted years, but is due to be revived.

The Americas Cup alone is expected to funnel into Newport in 1983 \$50m to \$70m in addition to normal tourist receipts, and it seems doubtful whether the 2,000 available hotel rooms in the area will be sufficient to accommodate the large influx of American and foreign visitors.

Nevertheless, the municipal authorities are to be congratulated for the unusual achievment by a popular holiday resort of preserving its traditional features almost intact.

Those features include not only one of the most genuine and well-preserved conglomerations of 18th and early 19th century colonial buildings in New England, but a truly amazing collection of country mansions built along the seasione by the new rich in the post civil war period.

At the same time, the harbour area has been redeveloped in a style and with building materials which respect the colonial architecture of the old town and which, above all, avoid the excesses of scale so

town and which, above all, avoid the excesses of scale so commonly found in modern European resorts such as those on the Costa del Sol in Spain and the Côte d'Azur in France. and the Cote d'Azur in France.
For all the changes of the past
few years, Newport remains a
pleasant yachting and fishing
village which has retained
much of its character and which
still appears to be slightly overawed by the hullabaloo surrounding the Americas Cup.
It comes as somewhat of a It comes as somewhat of a surprise to the visitor from Europe to learn how long Newport has been a vacation centre.

which the resort had won.

The word "cottage" as a
describtion of some of the
edifices built along Bellevue
Avenue is probably one of the few understatements ever em-ployed by Americans. They are

more like castles and palaces, inspired mostly by French pro-totypes such as the palace of

well worth a visit.
What is more, most of the furniture, china, glassware, pictures and objets d'art have been fastidiously and lovingly collected and could certainly find

a place in the world's greatest Thanks to the Newport Pre-

families vied with each other and Louis XIV, during what has come to be known as America's been preserved in pristine contectural monuments which take the breath away.

tectural monuments which take
the breath away.

The mixture of styles to be
found in mansions such as The
Breakers, Marble House, Rosecliff and The Elms provides a
diet considerably richer than
the clam chawder and lobster to
be found in restaurants in Newport harbour.

Timpressive

Yet whatever reservations

The mixture of styles to be
stately homes in Britain.

Newport, of course, is not
Rhode Island's only tourist
attraction—far from it. The
state is blessed not only with
large areas of wooded country
and inland lakes, but a beautiful southern coastline, whose
fine beaches are all the more
attractive for being relatively
unexploited, and which provides
excellent facilities for fishing.

But Newport certainly re-

Yet whatever reservations one might have about the recreation of some of Europe's architectual masterpieces in a completely different environment, it has to be admitted that the result is impressive and, from a tourist's point of view, well worth a visit.

Impressive and mexploited, and which provides excellent facilities for fishing.

But Newport certainly remains the jewel in the tourist industry's crown, attracting something like 3.5m visitors a visit from a tourist's point of view, well worth a visit. crossing their fingers that they won't lose the Americas Cup, for if the competition were to be held elsewhere next time, that would clearly remove some of the gilt from the local cincontraced.



Pelham Street, Newport, is lined with 18th and 19th century houses. The city has more pre-1820 structures standing than any other community in the United

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### WORLD STOCK MARKETS

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AUSTRI	A			San	dvik B ndle	(Free)	270 ·	+10	Kaumo	)r	_ 256 ; _ 249	-6 -3.9	Alinomoro	2,380 <u>!</u>	+80	Sime Darby	10.90 -0.18 2.63 +0.00
Ma	W 30	Price Schi	+ 01	1 SKF	n Enski		363	<u>-1</u>	Kloeck Krupp	per	-: 4 <u>8</u> .1	0.6 +0.5	Amada	¯: Z1R ;	+5 +7	Straits St'mship.	2.28 : 5,20 : +0.05 5.00 : +0.02
Creditans Goesser	delt	215	¥5	Swe	oppart Hand dish M	elsba.; atch,	158 219	+1	LUTTE	11 <b>52</b>	383 115,5 159	-2 -1.0 -2	Zanon	1,490	+1	UOB	100 1 40,00
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	<u> </u>			1"				L	Rhein i Rosent	West Elec hal	# 178 _ 311.2	-2 -1,8	Ebara	352	-3 +4 -20	Abercom	2,97
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May	30	Price Frs.	+ or	Alus	uisse k Leu	•	758 4,275	+3 +25	Varta	···		—13 —1.3	Fuji Film Fujisawa Fujitsu	1,080 : 1,080 :	+50	Angio Am Angio Am Gold 1 Barciays Bank	15.15
ARBED Bang int	A LUX.	1,070 3,900	}	Ciba	GRIDY.	M , m	1.945	10 10	Yersin-	West			Green Cross Hasegawa HelwaReal Est.	_1,760 461	77-	Barlow Rand	18.2
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Delhaize.		3,860 2,275	-80 +15	Fisc	her (Ge evoke	o)	630 2,700	25 500	742	ay 30	Price ·	+	Honda	_ B26 ] _ 929 ]	-20 +3 +22	Priefontein	37,25 +1.50   51,25 —5
Fabrique I	Nat	5,880 2,520 9,700	9 —80 1 —5 1 —10	Hoff	Roche Roche D Such	1/10 am	8,076 6,600	+25		Com'le	Lire Lire	+ IBO	toh (Cl	_ 299 :		Gold Fields SA	162 -0.85 6.1 ;
EBES Electrobe Fabrique I G.B. Inno. GBL (Brux Govaert Hoboken Intercom Kredietba Pan Hidgs	()	1,980 2,115	-20 -5	Jeim Lanc	iofi Na & Gv	T	1,585 1.310	-15 +15 -20	Bastogi Central	Varesin	191 1.800	+9	ito Yokada iwatzu JACCS	_:1,250 ¦	-10 +10 +2		
Hoboken . Intercom . Kradietha		4,845 1,755	+25 +15 +20		le Byehrid			+5	Gredito Fiat Fiorida	Varesin	2,795	-15 +35 -5	JAL.,,,,,,,,,,,,,,,,	2,510 605	-80	Rustanburn	0.9
Pan Hidge Petrofina	**************************************	8,250 5,310	30	Sand	Buehrid II Ioz (B). Ioz (Pt (	)ta)	5,025 795	T‱ 1	Zecere	li /Accies	181 476	+750 +9	Kajima Kao Soap Kashiyama Kirin	569	-5 +1 -5	Sage Hidg SA Brews Smith (C.G.)	5.85:
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Soc Gen B Sofina	eige	1,710 4,660 2,750	+80 +70	Switz	s Reine	Car	7.075	-3	Pirelli ( Pirell St	30	. 2,510 . 2,510 . 1,525	+9 +9					<del></del>   ;
Royale Be Soc Gen. I Soc Gen B Sofina Solvay Traction E UCB	lect	8,190 8,685	+15	Unio	s Volka n Bank erthur . th ins	******	3,235 2,850	_an II	inis Vis Fora As	ICO53 ISIC	12,000	+1	HOUSE EXCEL	mges and	are la	page are as quot at traded prices.	≤ Ozalinge I :
VicileMon	t	2,900		Zuric	in ms.	1	,,000		40. PT	et	a,130	+50	sa Ex all,	AMAGE	X	C Ex acrip 12540. X	. ~ 151G.
				لم عد	li e	^-				]			اا	May ' 12-	u   14.	v : 1981	<u> </u>
	•		ı	IIQ	lic	45					4110			May Na 27 26	25	y: High	Low
NEW	YOR	K-m	W JUE	5							AUSTRAI Ail Ord. I Metais &		,g 614,8 (1/1,005) 650.3	616.9 ° 6.18. 666.9 <sub>°</sub> 658.	.9 · 674. .8 · 551.	5 619.3 (28:5) 5 558.8 (14:6)	487,9 (4/1) 411,8 (4/1
	May	May	May 26	May 25	-May	Mey	<del></del>	83	Since Co	1	AUSTRIA Credit A		(1,52) 1 67.55 1	57.95 57.1	8 57.9	-	49,48 (15/2)
Intestrials	30	27			24	23 1289 55	High 1232.59	1027.04	High 1232 58	41.22	BELGIUN		<del></del>	<u> </u>			<del></del> }
		70			1		65	<b>IS</b> /TE	<b>6/5/83</b> )	12/1/20	Belgian :		720,58	1 <b>20.69</b> 120,	.m. 121.	88 122.86 (28,4)	100.58 (4.1)

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					Inc	łic	es	5					May 30	May 27	May . 26	May 25	High	985 : Low
NE	W	YO	RK.□	IUL YIC	E5			•				AUSTRALIA All Ord. (1/1/88) Metala & Minis. (1/1/88)		616.9 556.9		614.6 551.8	619,3 (26:5) 558,8 (14:6)	487,9 (4/1) 411,8 (4/1
	$\neg$	-		May	May	May	Me		1983	Since	Compiler e	AUSTRIA		——.	i			
	į	30	16.mg 27	25	25	24	23		Len	High	Lo=	Credit Aktion (2/1/52)		<b>57.95</b>	57,96	· 57,159	59.8 (6/5)	48,48 (15/2)
Indep	rial;	1216.14	1223.49	1223.4	1229.9	1219	1200	56 1232 65				) <del></del>	120,50	129,69	120,09	121_88	122.88 (28/4)	100.50 (4.1)
Title		545.1	554,82	554,74	558.51	\$65.2	3 540.7	77 558.5 Ø5/9				DENMARK Copenhagen SE (5/1/85)	744.10	145,78	742,56	140,79	144,89 (/806)	T08.00 (\$/1)
Velle	ies	130.12	130.26	139.25	138.63	138.4	6 127.5	130_6 (5/9		5 163.32 08.0462		FRANCE CAC General (\$1/12/52) Ind Tendance (\$1/12/52)	125.5 128,3	126.1 128.6	126,6 150,1	125.8 129,5	128.1 (16/5) 188.4 (13/5)	86_1 (5,1) : 86_8 (6/1)
Tradia 1080	end Set	7629	9540	MSS	21050	1000	<b>953</b> 1	5   -	-	-	-	GERMANY FAZ-Aktien (51/12/58) Commerzbank(Gec 1855)	304,89 518,1	508,78 822,7	311,00 \$27,8	513.16 954.7	.321,84 (28,4) 985,6 (27,4)	241,88 (25/1) 727,9 (25/1)
		-		Ή.	May 20	M I	y 13	May	6 1	(Year Ago	Approxi	HONG KONG Hang Seng Sank (61,7/64		01Z 4			1007 10 414.6	751 51 44.75
hel der y	rick) %	ı		_	4.59	1	.48 .	4.4		5.7	,	Hand Sould contr (all that		0,00		897.90	1001,26 (14/4)	761,61 (4/1)
STANDA	URD AL	B POOR	\$		_			<del>'</del>				FALY Banca Comm Ital. (1972)	182,79	191.54	180,91	190,65	214,55 (21A)	160,45 (10/1)
		Harr	-	<b></b>	Name of	May	May	a	83	Shet C	enpilat'n	JAPAN**					<del></del> -	
		30	18my 27	Nhy 25	May 25	24	<b>Z3</b>	High	Last	Fig.	Low	Dow Average (16/5/49) Tokyo New SE (4/1/66)	8922,35 536,11	8617,92 636,87	8526,66 85,658	888,18	1719,88 (3/5) 638,11 (38/5)	- 7803,18 (25/1) • 574,51 (25/1)
indus	<b></b>	184,41	].	,	185.52	185.72		12/3	154.95 6/1	188.52 (55/6)	GR/8/32)	NETHERLANDS ANP-CSS General (1976) ANP-CSS Indust (1978)	125,3 191,8	: 126,5 191,6	128.0 162.3	.—. 128.2 168.1	T81,0 (12/4) 109.2 (12/4)	100,1 (4/1) 85,6 (4/1)
Champ	Otiče ———	164.41	155,48	<u> </u>	165.21			16年21 15年	132.34 [7]	166.21 (5/5/83)	4.A (1.8/32)	NORWAY Calo SE (41,65)	193,18	197,13	187,08	788,93		99.01(4/1)
و مناه العط	عو ست			$\vdash$	3.82	_	ry 12 LBB	May 1	_	<u>Year Agol/</u> 5.74		SINGAPORE					<del></del>	
hal P/E					14.10		3.85	13.5		7.41		Straits Times (1966)	980,95 	(c)	· \$35,25	935,04	959.46 (5/5)	212,29 (5/1)
		Yield			18.62	Į, t	0.54	18,2	4	12.9	5	SOUTH AFRICA Gold (1966)	ngà	8,478	(B)	910.7	7699.5 (T/7)	: 294,5 (28,5)
4.Y.Ş.E	ALL C	ززمس	•					RICE	3,000 5	MT2		Industrial (1958)	(M)	i 855.8	: (U)	952,2	961,6 (20/5)	740,9 (3:1)
Risy	May	May	May		9\$3			ļ1	Mary 330	May 27	May 25	SPAIN	. (e)	118.04	217 70	110 65	718,08 (13,4)	98.32 (11/1)
39	27	25	25	iiigh	بدوا	_ =	1982 1988	m	1831	1975	1976	Madrid SE (81/12)82)		110,30		1 10,30	115,05 (15,4)	38,36 (1111)
95.23	<b>75.18</b>	95.68	96.D1	\$42.52 65	79.7	F	::::::::::::::::::::::::::::::::::::::		587 588 384	812 363	\$12 353	SWEDEN Jacobson & P. (1/1/58)	1418.61	1489, 16	1429.70	(C)	1517,42 (16-5)	BS6, 16 (3/T)
ON THE	AL				Мат	May	May	[	1	983		SWITZERLAND Swissbank Opn. (51:12:68)	821.7	621.6	524,9	<b>324.</b> 1 ·	250_4 (7/5)	294,4 (4/1)
				30 30	27	26	25	H	ìgh		**	WORLD		177.3	178.4	170 0	778.5 (9.6)	154,3 (8:1)
•		selah Mand		421.77 486.21	422.51 484.54	422.51 494.55	419.37 491.72		145/9 918/9		(5/S)	Capital Inti- (1, 1/78)	_	_				1,77,0 10-17
TORONI	_			2653.2	2445.1	2445.1	2434.9	_	7 10/5	1943	J\$4/1)	(99) Saturday May Rase values of all in	28: Ja	pan Do ara 100	w 8592	L90 TS	E 835.33, Na: 34 Octions	w and Motals—
	_	-	YALEES	. TESTE	DAY'S C	ANADIA	ł BACHCE	S. LATES	AVALA	ar.		-500, NYSE All Common list named based on	<u>60:</u> :	Standar	d and	Poors-	-TO: and Toro	nto-1.000: the
								-			٠- '	Inst named DESEC ON Industrials plus 40 Uti 4 Unavailable.	lities,	40	manca	rie. Shi	20 Transpor	ts. c Closed.

Apr. \$3	Pound St'rling	ti.1. Dollar	Doutschem	к Јарапово Увг	i FrenskFranc Se	visa Franc D	etob Guist	Ralian Lina	.Canada Solla	r Belgian Frai
Court Starting	0.647	1.546	5,753 2,451	366,3	11.845	5,185 ; 7,57	4,265	2254.	1,897 1,227	75.45 48,82
Seutschemark Apanese Yen 1,000	0.284			cha	nge ci	race	rat	29		19,92 06,0
rench Franc 10										.51
uten Guilder was Lira 1,000	0.74		every	day i	n the F	inanc	ial T	imes		17.70
anadian Dollar Jelgian Franc 100	0.627 1,825	0.815 2,048	1.997	195,1 465.4	15.04	1.679 .	2.248 5.649	1189. 2987.	1 2514	39,78 100

**EUROPE** 

### Rate fears are again uppermost

CONCERN manifested itself throughout the European bourses yesterday over a possible upswing in world interest rates as a consequence of the bulge in U.S. money supply, now threatening a sub-

stantial overshoot for the year.

A further effect of the \$2.1bn rise in MI reported last Friday was to spur the dollar to new heights, reaching a six-month peak in Frankfurt at DM 2.5175 -82 points firmer and prompting the Bun-desbank to sell \$42.55m - and an all-time Paris record fixed at FFr 7.5495, up 1.7 centimes. A weaker D-Mark was also fixed there at FFr 3 exactly, near its EMS floor.

Largely because of this, German share prices finished at their lowest for six weeks, with the Commerzbank index off 12.6 to 910.1. Vehicle issues were among the worst affected, upset additionally by news of a first quarter loss

for Volkswagen. VW fell DM 6.30 to DM 164.70, Daimler Benz DM 12.50 to DM 528 and BMW

Markets in the U.S. were closed yester-day for Memorial Day and in the UK for the spring bank holiday. The Madrid bourse as usual did not trade on a Mon-

DM 6.50 to DM 325.50, although the volume of selling was low.

Public authority bonds saw losses of up to 85 basis points after declines every day last week. The Bundesbank, virtually the only buyer yesterday, absorbed DM 163.7m in paper.

French stocks crept lower, although with some bright features. Beghin Say in foods rose FFr 8 to FFr 286, while resistance to the trend was also found among constructions, electricals and me-

Sporadic Milan buying interest met a scant volume of offerings, leading to a mixed finish. Olivetti eased L10 to L2,870 despite announcing modest turnover increases for the first four months. News that the board was pressing the French Government to reduce the 33 per cent stake held by the nationalised Saint-Gobain came after the close.

Industrials attracted Zurich interest while insurers and banks were neglect-

### ed. Jacobs Suchard added SwFr 50 to SwFr 5,800 ahead of its annual press conference today while Sandoz picked up SwFr 75 to SwFr 5,025. Domestic bonds weakened. An easier Amsterdam was enlivened by airline KLM, up Fl 4.50 to Fl 145.50,

but banks continued their decline with ABN off Fl 5 at Fl 344 and Ned Mid Fl 2.50 to Fl 139.50. Bonds shed an average half-point.

Chemicals held Brussels steady as Solvay added BFr 70 to BFr 2,750 and Tessenderlo BFr 40 to BFr 1,330.

Stockholm remained busy but selling prevailed. Asea and Fortia slipped SKr 10 apiece to SKr 390 and SKr 610 respec-

#### **AUSTRALIA**

### Thin dealings

A MARGINALLY lower Sydney result emerged in extremely thin trading, with a lower gold price the only identifiable influence apart from the poorer New. York finish last week.

BHP rose two cents to A\$8.26 despite announcing on Friday a substantial drop last month in coal, iron and steel output. Electrical company AWA reflected the

day well, dealers said: it fell 20 cents on a turnover of only 400 shares. Melbearne showed some demand for banks.

#### **SOUTH AFRICA**

**CANADA** 

### Firm but dull

AN AFTERNOON recovery by leading Johannesburg golds, as bullion again approached \$440, was effected in low turn-

over ahead of a holiday today.

Recent expansion plans lifted Bracken 20 cents to R3.80 but pulled Randfontein R2.50 lower at R173.50.

### Insurer Liberty Life jumped R4 to R55 but other industrials were listless

### Narrow range

A NARROW trading range was maintained in Toronto for much of the day, deprived of Wall Street's usual persuasive influence. Prices were slightly cheaper through the morning but turned upward soon after midday.

Weakness was concentrated among the golds, with base metals also affected, but oil and gas issues were adequately maintained.

Banks were the Montreal strong point while most industrials stood to the good but utilities fared poorly.

**FAR EAST** 

### Respite on trade aids Tokyo

THE ABSENCE of immediate signals that European leaders were using the Williamsburg economic summit to direct any vehement criticism against Japan on trade imbalances was identified by some Tokyo dealers yesterday as cause for muted cheer among investors there, but many were holding off to await further information.

Reduced foreign buying because of holidays elsewhere also meant that trading was on the thin side at some 280m shares, but the Nikkei Dow Jones market average managed a 29.45 gain to 8,622.35 after Saturday's 25.02 decline.

The stock exchange index added 2.78 to 638.11 as the broader market achieved a more robust correction of a 1.04 dip on

Small-capital concerns were favoured. particularly those in the electronics sec-

High-priced blue chips also fared adequately, though, as did shares backed by good corporate results. Fuji Photo added Y60 to Y1,990, Nippon Electric Y30 to Y1,090, Toyota Y50 to Y1,170, Hitachi Y22 to Y797, TDK Y130 to Y5,430 and Victor Y190 to Y2,580.

Clarion rose Y55 to Y1,040 on an active 8.71m shares, buoyed by rumours of increased sales of car audio equipment in March and April. However, the company played this down, saying March sales had shown no sharply better rate of increase and the April figures had not yet been calculated.

Resources were depressed. Oils lost ground on the yen's renewed weakness against the dollar, with Nippon Oil off Y6 to Y856 and Showa Y8 to Y362.

Government bond prices also retreated with the yen, and traders expect the easier trend to persist while U.S. money supply remains volatile.

Sporadic Hong Kong selling pressure left the Hang Seng index 10.72 lower at 903.18, with property issues the worst affected. Cheung Kong shed 20 cents to

An uncertain Singapore oscillation between buying support and profit-taking trimmed 4.30 from the Straits Times industrial index at 930.95 but provided rises of 24 cents for Intraco at S\$4.26, 35 cents for Malayan Cement at S\$8.05 and 30 cents for Public Bank at \$59.85.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (Z), WATLING STREET, LONDON, ECAM 9AA NOT LATER THAN 10.00 A.M. ON THURSDAY, 2ND JUNE 1983, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON WEDNESDAY, 1ST JUNE 1983.

### ISSUE BY TENDER OF £1,000,000,000

### 104 per cent Treasury Convertible Stock, 1987

MINIMUM TENDER PRICE £98.25 PER CENT

PAYABLE AS FOLLOWS: INTEREST PAYABLE HALF-YEARLY ON 10TH FEBRUARY AND 10TH AUGUST

This Stock is an investment falling within Part II of the First Schedula to he Trustee investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admixed to the Official List THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. 3. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

4. Interest will be payable half-yearly on 10th February and 10th August. Income tax will be deducted from payments of more then E5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 10th February 1984 at the rate of £5.8489 per £100 of the Stock. 5. Holdings of 10% per cent Treasury Convertible Stock, 1987 may, at the option of holders, be converted in whole or in part Into 9% per cent Conversion Stock, 2001 (hereinsfirer referred to as "Conversion Stock"), as on the following dates and at the indicated rates:—

Nominal amount of Conversion Stock per £100 nominal of 10% per cent Treasury Convertible Stock, 1987 £100 £97 £94

Date of conversion
10th February 1984
10th August 1984
10th August 1985
10th August 1985
10th February 1986

7. Her Majesty's Treasury have directed that Section 326 of the Income and Corporation Taxes Act 1970 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities made in pursuance of the conversion offer.

conversion offer.

8. Conversion Stock will be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961, and application will be made to the Council of the Stock Exchange for Conversion Stock to be admitted to the Official List. Paragraphs 2 and 3 of the prospectus will apply equally to Conversion Stock as to 10% per cent Treasury Conversible Stock, 1987. Interest on Conversion Stock will be payable helf-hyearly on 10th February and 10th August Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Conversion Stock will be repaid at par on 10th August 2001.

9. Holdings of 10% per cent Treasury Convertible Stock, 1987 in respect of which options to convert have not been exercised will be repaid at par on 10th February 1987.

10th February 1987.

10. Tenders must be lodged at the Bank of England, New Issues (Z). Watfins Street, London, ECSM 9AA not later than 10.00 A.M. ON THURSDAY, 2ND JUNE 1983, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON WEDNESDAY, 1ST JUNE 1983. Tenders will not be revocable between 10.00 a.m. on Thursday, 2nd June 1983 and 10.00 a.m. on Tuesday, 7th June 1983. 11. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is 598.25 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 250. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

12 A separate chaque representing a deposit at the rate of £20.00 for every £100 of the nominal amount of Stock tendered for must accompany each tender; chooses must be drawn on a bank in, and be payable in. the United Kingdom, the Channel Islands or the stell of Island.

13. Tenders must be for a minimum of £100 Stock and for multiples of Stock as followed:—

15. Her Majesty's Treasury reserve the sight to reject any tender or part of any tender and may therefore allot to tenderers less then the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderats whose tenders are at or above the lowest price at which her Majesty's Treasury decide that any tender should be accepted (the ellotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price tenders which are accepted and which are made at the allotment price may be allotted in full in full tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderate will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.

15. Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenders, but the despatch of any latter of allotment, and any refund of the Benk of England be withheld until the tenders's cheque has been paid.

In the event of such withholding, the tenderer will be notified by latter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

16. No ellotment will be made for a less emount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no ellotment is made the amount paid as deposit will be refurned likewise. Payment in full may be made at any time after allotment but no discount will be Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day bear on any overdule amount which may be accepted at a rate equal to the London Inter-Benk Offered Rate for seven day deposits in atterding ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount m respect of the Stock will rander the silotment of such Stock liable to cancellation and any amount previously paid liable to fortesture.

17. Letters of allotment may be solicitors.

17. Letters of allotment may be solicitors of endinations of multiples of £100 on written request received by the Bank of England. New Issues, Watling Street, London, EC4M SAA, or by any of the Branches of the Bank of England, on any date not later than 11th August 1983. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any instalment payment is overdue).

18. Letters of allotmant must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 15th August 1953.

19. Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watting Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow, G1 22B; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Bellest, BT1 5BN; at Mulens & Co., 15 Moorqare, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom. BANK OF ENGLAND

### THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (2), Watting Street, London, EC4M 9AA not later than 10.00 A.M. ON THURSDAY, 2ND JUNE 7983, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow, G1 2EB) not later than 3.30 P.M. ON WEDNESDAY, 1ST JUNE 1983.

ISSUE BY TENDER OF £1,000,000,000

### 10% per cent Treasury Convertible Stock, 1987

MINIMUM TENDER PRICE £98.25 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 27th May

1983 as follows:—

Amount of the above-mentioned Stock tendered for, being a minimum of £180 and in a multiple as follows:—

Amount of Stock tendered for Multiple

1. NOMINAL

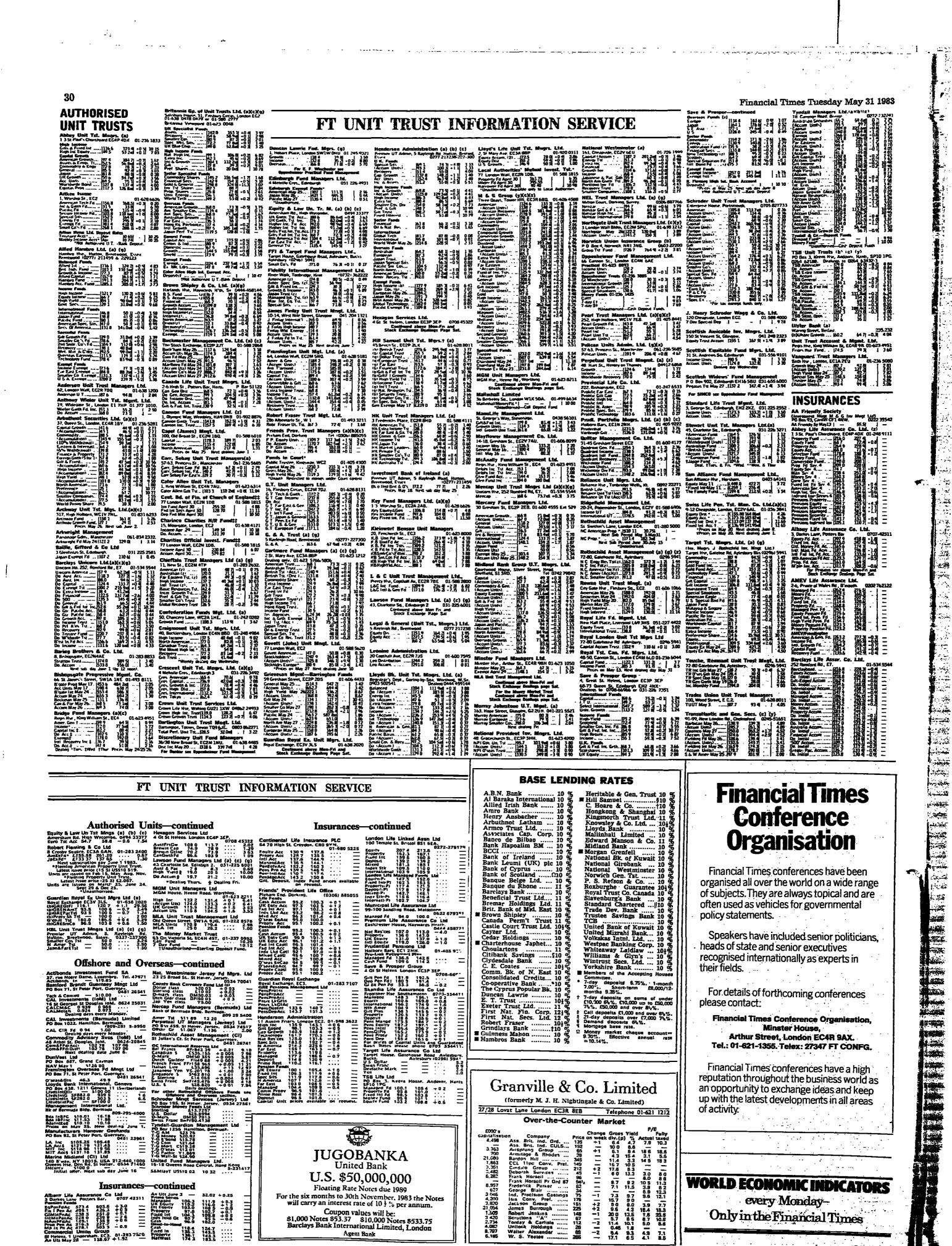
£100 £500 £1,000 £5,000 £25,000 £1,000-£3,000 £ 2. AMOUNT OF DEPOSIT(a) £ 3. TENDER PRICE(b) £

I/We hereby engage to pay the instalments as they shall become due on any lictment that may be made in respect of this tender, as provided by the said I/We request that any letter of ellotment in respect of Stock ellotted to me/us

		SIGNATURE of on behalf o	i, tenderer
	E BLOCK LETTERS	<del></del>	
MR/MRS MISS	Forename(s) in Pi	14.	SURNAME
FULL POS		<del></del>	
	POST-TOWN	COUNTY	POSTCODE
57			•

a A separate cheque must accompany each bender. Cheques should be made payable to "Bank of England" and crossed "Treasury Stock". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Atlan.

b The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is street, this tender will be deemed to there been made at the minimum tender price. Each tender must be for one amount and at one price.



7.3 15.7 9.6 20.0 5.7 11.4 0.46 8.4 17.1

9.7 9.0 4.3 13.6 8.5 10.1 1.8 9.3 6.5

**WORLD ECONOMIC INDICATORS** 

every Monday-

Only in the Financial Times

U.S. \$50,000,000

Floating Rate Notes due 1989

For the six months to 30th November, 1983 the Notes will carry an interest rate of 10 ½ % per annum.

Coupon values will be: \$1,000 Notes \$53.37 \$10,000 Notes \$533.75 Barclays Bank International Limited, London

Agent Bank

Insurances—continued

Albany Life Assurance Co Ltd 3 Darkes Lane Potters Bar. 0707 42311 Pansion Fands

603.6 +3.0 ~ 426.3 +0.5 ~ 751.0 +0.1 ~ 251.9 +0.1 ~ 136.9 +0.6 ~ 277.7 -0.9 ~ GOUP group group

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A Utt June 3 — 32.02 + 0.25

Prime Serves

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Int Equity 10.3 10.2 7 + 0.1

Property 97.5 102.7 + 0.1

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Cameliz Life Group
2-4, Hob St., Potters Bar, Nerts. P. Bar 51122

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Hamsged Past Fund | 117.4 | 27.10 |

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Do. Accum. 151.3
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Do. Accum. 152.6
Gill-Edged Ind. 156.2
Do. Accum. 152.6
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## Warring Company | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 19

CHEMICALS, PLASTICS-Cont.

DRAPERY AND STORES

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**BANKS—Continued** 

BUILDING INDUSTRY, TIMBER AND ROADS

**CORPORATION LOANS** 150|Sunderland 12'uet 1994. | 1024, | 10.12| 11.98 | 10.60 |
COMMONWEALTH AND AFRICAN LOANS

1D|Aust. 6pc 1991.93 ... | 781-11.22 | 9.58 | 11.65 |
11.N.Z. 7'upc 1998.92 ... | 781-11.22 | 9.58 | 11.65 |
15. R. Rod. 2'sgc Non-Ass. | 89 | 1.2 | 4.90 | 13.65 |
15. R. Do. 3'sgc 80-63 Asset | 30 | 10.2 | 4.90 | 13.65 |
15. A | Do. 4'sgc 87-62 Aered | 53 | 71 | 8.79 | 13.95 |
15. A | Zonthabure Ans (1100ps) | 365 | 153 | 153 | 15.87 |

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15. R. Rod. 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

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19. Red. 2 | 2 | 2 LOANS Public Board and Ind. Remote though we are from the hurlyburly, we at Macallan have noted Ministerial injunctions that the people of Great Britain should where possible buy British. An admirable sentiment—but example is better than precept. For instance, we learn that at diplomatic functions. French Brandy is still being served without even the offer of an alternative native to these islands. Whisky, of which it is written by Mr. Derek Cooper: "It is as smooth as old cognac, and I shall relish it knowing that however much the rest of the world may outsmort us in the production of cars, computers, steel and transistors, they'll never be able to make a malt like this." (or their successors!), perhaps

**BRITISH FUNDS** 

FIVE TO FIFTEE
LID Transport 3pc 78-88
bct, Treas, 90-pc 88......
Treasury 11-pc 1999.....
Treasury 11-pc 1990...
Treasury 11-pc 1990...
Library 5pc 86-89...
Library 5pc 86-89...
Library 19pc 1990...
Library 19pc 1990...
Library 10-pc 1990...
Library 11-pc 1991...
Library 12-pc 1992...

78a | 251 | 3.83 | 8.33 | 8.33 | 8.33 | 1032 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038 | 1038

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Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

'Shorts' (Lives up to Five Years)

LOANS—Continued

**AMERICANS** 

**CANADIANS** 

Now alternative there certainly is: The Macallan Single Highland Malt

In short, we would not expect a Minister to go out to a diplomatic function in a Citroën. Why should not their official functions unroll on an equally proud BRITANNIC NOTE? (\*\*) If you know any of them for their successors!), perhaps \*\* you would pass it on? you would pass it on?

THE MACALLAN. THE MALT.

Financial Times Tuesday May 31 1983 **LEISURE—Continued** INVESTMENT TRUSTS-Cont. INDUSTRIALS—Continued PROPERTY—Continued OIL AND GAS-Continued Prep C Net C+ G/S P/E Progr 13 Net Car Gr P/E **NOMURA** NEW-ERA INVESTMENT **AND UNDERWRITING** OFFICES WORLDWIDE 3 Gracechurch Street EC3V 0AD Telephone (01) 283 8811 MINES—Continued Central African Price 4 Net Cw Gr's 240 | 15 070: 0 225 21 254 05: 0 7 14 0 23 980 05: 0 7 14 0 Australians IWACM 20c ..... Baimoral Resources

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### CURRENCIES, MONEY and CAPITAL MARKETS

#### **EUROPEAN OPTIONS EXCHANGE FOREIGN EXCHANGES** FINANCIAL FUTURES Vol. ! Last Vol. : Last Vol. Last Stock 20 31 117 20 B 24 13.50 21 6.60 16 7 11 12 15 24 1 43 | \$439.25 Sterling and dollar in demand LONDON **CHICAGO** U.S. TREASURY BONDS (CBT) 8% \$100,000 32nds of 100% Demand for sterling increased last week as the foreign exchanges became convinced that the Conservatives will soon be returned to power. Investment buying on the prospect of enother period of Tory rule outweighed any light profit taking, and for the most part the Bank of England appeared to be trying to prevent the pound from rising too sharply. Sterling's trade-weighted index of 87.0 returned to the levels of late November, and was an improvement from \$4.1 at the end of the previous week. The pound rose to its highest level since late January against the dollar at \$1.6030, compared with \$1.5560 on the previous Friday. It was taken was a important the provious this period. It was also very firm against Conting entally sizing above DM4 for the also very firm against Conting entally sizing above DM4 for the also very firm against Conting entally sizing above DM4 for the also very firm against Conting entally sizing above DM4 for the also very firm against Conting entally sizing above DM4 for the also very firm against Conting entally sizing above DM4 for the also very firm against Conting entally sizing above DM4 for the distribution of Tory firm against Conting entally sizing above DM4 for the striking above DM4 for the sizing above DM4 for the sizi High Low Prev 90.79 90.71 90.78 90.79 90.71 90.78 90.44 90.33 90.41 90.20 90.16 90.18 90.20 89.97 89.88 89.78 89.74 89.72 (1.940) open int. 5,052 (4,663) the central banks were not pre-pared to prevent the dollar rising at the moment, because European leaders intended to use the strength of the dollar and high U.S. interest rates as a weapon against President Reagan at the year in terms of the D-mark, at DM 25170, against DM 24765 a week earlier, and also improved to SwFr 2.0570 from SwFr 2.0740. and to V238.20 from V238.90. U.S. and UK trade figures were U.S. and UK trade figures were published on Friday, and although there was some disappointment at the UK deficit, there was more concern about U.S. M1 money supply, with trade statistics generally ignored, including the good figures from Germany and Japan recently. Williamsburg Summit. The dollar rose to a record FFr 7.5425 from FFr 7.43 against Close High Low Prev 89.93 89.54 89.91 89.90 90.16 90.77 90.12 90.14 90.06 90.09 90.05 90.06 89.88 89.90 89.87 89.87 89.75 89.75 89.71 668 (851) day's open Int. 3,843 (3,737) U.S. TREASURY BILLS (IMM) 51m points of 100% - ;F,145,50 the French franc, and was close to an all time peak against the lira at L1489, compared with L1470.25 on the previous Friday. It rose to the higest level this High 91.50 91.25 91.04 90.85 90.64 90.45 90.27 90.07 AKZO I AKZO I KLM C KLM C KLM C KLM C KLM P KLM P KLM P Prev 91.40 91.15 90.96 90.77 90.61 90.42 90.25 90.10 12 | Inds of 100% | Close | High | Low | Prevalence | 108-12 | 106-15 | 105-26 | 105-29 | logt | 106-01 | 108-08 | 108-14 | 105-19 | logt | 106-01 | 108-08 | 108-14 | 105-19 | logt | 107-03 | 107-33 | 107-33 | 107-13 | 107-10 | lune | 107-02 | 107-02 | 107-02 | 107-02 | 106-21 | lune | 2,215 | (3,100) | Previous day's open int. 4,101 | (4,063) | Basis quote (clean cash price of 151-3 | Irassury 1998 | less equivalent price of near trutures contract) | 02 to 08 | (32nds) | FORWARD RATES AGAINST STERLING F.82.80: F.30: F.40 F.45 F.50: F.36: F.48 F.90: F.100: F.120: F.120: F.120: F.120: F.120: F.120: F.120: F.120: F.120: 11.50 6.90 3.10 1.30 2 4.60 21 11.80 5 1.60 8 0.10 **EMS EUROPEAN CURRENCY UNIT RATES** 2,60 BANK OF ENGLAND TREASURY BILL TENDER F.119,80 STERLING £25,000 \$ per £ Une 1.6005 1.6045 1.5360 1.5933 Sept 1.5375 1.6020 1.5944 1.5310 Dec 1.5960 1.5370 1.5960 1.5895 Volume 1.242 (1.339) Previous day's open Int. 2.951 (2.834) +1,43 +0,19 +1,72 -0,45 +1,52 -0,54 -3,59 +0.72 -0.52 +1.01 -1.16 +0.81 -1.25 -3.59 ±1.5447 ±1.5425 ±1.0642 ±1.4052 ±1.4964 ±1.6699 ±4.1505 igian Franc ... mish Krone ... rman D-Mark 3 17,50 5 6,60 5 6,80 27 1.60 1 0.60 4 23,50 F.195,50 STERLING (IMM) Se per & OTHER CURRENCIES **CURRENCY RATES CURRENCY MOVEMENTS** 119 (82) s day's open int. 558 (557) 81 87 91 F.127.50 F.135 F.120 F.122.50 F.125 F.127.50 F.130 F.122.80 **50** ; 0,50 Note Rates 656 348 124 Guaranty Change % Argentina Peac 1:8,418:128,618 80,440-80,490 Australia Dollar. 2.8135:1.8166 11.325:1.1328 81.328 16 12.325:1.1320 11.325:1.1320 11.325:1.1320 11.325:1.1320 11.325:1.1320 11.325:1.1320 11.325:1.1320 11.325:1.1325 0.678650 81s 1.07863 9.50 9.50 19.0475 91s 54.0367 71s 9.68070 4 2.70661 14 3.0482 91s, 8.12478 17 1606.08 9 7.69818 9 156.198 28.15 28.45 80.00 80.75 14.35 14.53 12.00 4.01 -34.3 +12.4 -17.2 +29.2 - 2.7 -12.5 +56.0 +107.9 Canadians... S Austria F Belgian F Danish Xr ... France Germany Italy Japan Netherlands Norway Portugal Spain Sweden United States JAPANESE YEN Y12.5m \$ per Y100 wiss franc..... Unia 0.4218 0.4219 0.4204 0.4238 Sept 0.4251 0.4261 0.4260 0.4260 0.4260 0.4261 F.103,50 NL 89 89.9X F.97,50 F,100 Based on trade weighted changes from Weshington agreement December 1971. Washington agreement December 1971. Bank of England Index (base average). \*CS/SDR rate for May 25: 1.33109. THE DOLLAR SPOT AND FORWARD 6.50 F.282.20 THE POUND SPOT AND FORWARD WEEKLY CHANGE IN WORLD INTEREST RATES . 0,30 Day's p.a. 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Interbank Three month Unch 'c --0.225 +0.05 FINANCE FOR INDUSTRY TERM DEPOSITS. TOKYO Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. † UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. MILAN Bolgish rate is for convertible francs. Financial franc 80.40-80.50. Six-month forward dollar 0.54-0.49c pm. 12-month 0.80-0.70c pm. \* C\$/SDR rate for May 26+ 1.33250. One month Three mont :Unch' d 3 4 5 6 7 8 8 10 101 101 101 11 111 111 111 Relation rate is for convertible francs. Financial franc 50.15-50.25. AMSTERDAM One month Three month Deposits to and further information from The Treasurer, Finance for Industry plc, 91 Waterloo Rd., London SE1 8XP (01-928 7822, Ext. 367). **EXCHANGE CROSS RATES** Cheques payable to "Bank of England, at FFI" FFI is the holding company for ICFC. London—bend 1 bills mature to up to 14 days, band 2 bills 15 to 33 days, and tend 3 bills to 63 days. Rates quoted represent Bank of England buying or Pound Stirling U.S. Dollar | Doutschemik, JapaneseYen, FrenchFranc Swiss Franc Dutch Guild | Italian Lira | Canada Dollar Belgian Fran 2387. 1489, 0.397 4.196 1. 10.56 6,755 1975. 1.633 0.590 66,55 24,03 316,1 10, 2,770 0,827 1,326 8.539 French Franc 10 ss Franc 0,29 17.78 33.70 0,758 1,403 WORLD VALUE OF THE POUND Canadian Dollar Belg an Franc 100 0.507 1,243 0.812 1,995 193.6 474,9 available rate of exchange for the pound against various currencies on May 27 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In recommendation available: (F) free commendation available: (F) free commendation rate; (T) commendation rate; (T) francial rate; (T) francial rate; (T) free commendation rat MONEY MARKETS = Abbreviation: (A) approximate rate, buying rate; (Bk) bankers' rate; (cm) (ag) selling Left out of the party other term, only to be faced with an immediate problem. Keep interest rates firm and risk an increase in the building societies mortgage rate, plus a return to seems unlikely to square with London's money market has the appearance of a small boy VALUE OF E STERLING PLACE AND LOCAL UNIT PLACE AND LOCAL UNIT PLACE AND LOCAL UNIT staring through the window at a party his mother has forbidden him to attend. All the other franc. But the alternative of encouraging a fall in base rates seems unlikely to square with present Conservative principles if it increases the money supply and creates inflationary pressure. June 9, the market will still be appropriate the city, with Mrs Thatcher resuming as guest of honour on public the window leaking in mortgage rate, plus a return to a very strong pound on the foreign exchanges, or solve these guests have arrived very early and are already celebrating, and 8,4125 the little boy would love to join them but he dare not disobey. Gilts and the foreign exchanges decided early last week that difficulties by allowing rates to and creates inflationary presfall. An improvement against the dollar may be desirable, but will Against this background the British industry welcome levels money market does not know slmnodw the camb acmb acmm 185,05 160-05 1,6030 ...Portugu'se l 128,518 8,0150 5,2124 11,31 1,8146 28,325 160,05 5.829 ustralia (S). Australian & Qater Ryai there was little chance of the 12.085 (Cm)6.98 (N/C)19.52 146.90 Conservative lead in the opinion polls being erroded by June 9, and this optimism only seemed to LONDON MONEY RATES Leu. 65,29# Hungary. Forint Sterling Local Local Auth. Finance Certificate Interbank Authority negotiable House of deposit bonds Deposits 43,48 15,84 1,553,80 134,7548 0,49405 1,2770 70,40 2,386,5 604,25 Dinar Spå, Pesata Taka Barbados § 4.33 1.0 4.33 12.085 4.35 4.00 1.6030 2.388.5 61.45 6.81873 (0m)3.98 (0m)3.98 (0m)3.98 1.8060 24.05 1.79425 223.15 ...E. Caribbean \$ ....E. Caribbean \$ ....Local Franc ....E. Caribbean \$ On the other hand interest rates are locked into a situation which is not entirely within 912-1014 B. Franc iraq Dinar irish £ Shekel BS . C.F.A. Franc Belize . domestic control. Money supply growth on both sides of the Atlantic has been causing con-7 days notice... 7 days notice... 107:107: Two months...... 107:107: Three months...... 101:107: Six months...... 101:10 Nine months...... 101:10 One year ....... 101:10 Two years ...... 10-10, ...U.S. 🛊 . Lita . C.F.A. Franc 954-978 (0)2.85 (F)4.37 882.0 0,5732 Bolivia Jamaica Dollar cern lately, with some very high U.S. M1 figures dashing hopes of an early cut in the Federal Yen Jordan Dinar Cruzeiro II U.S. 8 Brunel \$ Sierra Leone ....Leone Reserve discount rate. UK money supply growth has also led to sugestions that there ECGD Rate Export Finance Scheme IV Average Rate for interest period April 6 to May 3 1983 (inclusive): 10.304 per cent. Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11 per cent; four years 11½ per cent; five years 11½ per cent. OBank bill rates in table are buying rates for prime paper. Buying rates for four month bank bills 9½,9% per cent; four months trade bills 10% per cent. 604.25 1.9735 223.15 108.65 1.3558 604.25 504.25 604.25 604.25 604.25 (I) N/A (IF) 94.10 1.3525 (Oean) 9.50 was no justification for the last mero'nRepublic C.F.A. Franc cut in clearing bank base rates, let alone aonother. This expecta-New Kip cut in clearing bank base rates, let alone anonther. This expectation of high interest rates in New York and London was to some extent behind the demand for the dollar and sterling last week. If the opinion polls and financial markets are correct the topinion polls and financial markets are correct the topinion behind to provide the demand for the opinion polls and financial markets are correct the topinion polls are topinion polls and financial markets are correct the topinion polls are the topinion polls and financial markets are correct the topinion polls and financial markets are topinion polls and financial markets are correct the topinion polls are the topinion polls and financial markets are topinion pol 16.03 6.7245 1.7245 1.6050 0.4746 3.3479 80.43 11.86 160.05 637.50 1.798 8.6750 12.08 12.08 12.08 12.08 12.08 12.08 12.08 12.08 12.08 12.08 12.08 12.08 12.08 13.0 Pataca Portug'as E MG Franc Kwacha, Rufiyaa Mall Franc Maltese & Local Franc Ougulya Z.3478 ((A) (T)10.00 64.10 15.175 35.54 604.25 1.8145 2.8472 1.02(sq) 358.63 1.5080 1.6146 Syria £ Costa Rica..... Colon New Talwan \$ Tan. Shilling INTEREST RATES ... vakia..... Koruna Tunislan Dir Tunisin Lira U.S. \$ MONEY RATES Danish Krone **EURO-CURRENCY INTEREST RATES** Fr. E. Carl bbean 9 Mexican Peso (Market closing rates) NEW YORK **NETHERLANDS** (0) 68,89 (F) 134,45 (U) 1,325 446,3 (P) 5,2500 U.S. Dollar Urugiyay Peso Iratesii A.E. Dirham nited States May 27 10'4-10's 9's 9's 9's 9's 6's 6's 4's 4's 5'4-6's 15'2-15's 16'4-17's Falkiand islands... Falkiand is & Farce islands... Danish Krone Fiji islands.... Fiji S Finland... Markka France France Civin AF ... C.F.A. Franc France Local France Local France ...Rouble ...C.F.A. Franc \_\_Vatu ...ttellan Lira 1.8145 22.95 4.5375 2.8695 2.4125 15.98 604.25 1,110686 11.43 Australian Dolla Nepalese Rupes Gulider Antililan Gulider N.Z. Doller 1.0 14,395 1,6826 8,7735 12,085 604,25 12,085 215 (sg) GERMANY \$ CERTIFICATES OF DEPOSIT rench Gulana..... Local Franc rench Pacific is... C.F.P. 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(2) Controlled rate for priority imports such as foodered; (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector debt and essential imports. (5) Government controlled for non-essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. 11,00 a.m. MAY 27 SDR LINKED DEPOSITS Area. Discount rate 3 month U.S. dollars 6 month U.S. dollars Call (unconditional) ... 6.15625 Bill discount (3-month) 6.59375

ECU LINKED DEPOSITS

### **SECTION III**

### FINANCIAL TIMES SURVEY

# Bahrall

Bahrain has been little affected so far by the drop in Gulf oil revenues. The national plan has been stretched from four to six years, but no major projects have been cancelled. The main topic of political discussion among Bahrainis is the prospect of the re-election of a National Assembly

### Taking oil glut in its stride

By MICHAEL FIELD

"BAHRAINIS ought to be worried," remarked a Western banker who visited the state recently. "But you don't seem to meet anyone who says he's worrying."

The view the banker had gathered in London was that the whole Gulf was being mightly squeezed by the decline in oil production and the cut in prices. Once in Bahrain, all that he had discovered was that the four-year plan was being stretched to six years and that there was some relaxed speculation about whether in the next few years some of the offshore banks might leave the island. been: offshore banks, exempt companies—regional concerns

which are exempted from Bahraini majority ownership laws, the Aluminium Bahrain smelter, the pan-Arab Arabian Ship Repair Yard, and Gulf Air —which has its headquarters in

None of the Arabian oil states are as worried about the decline in their oil revenue as they seem to be from the capitals of the industrialised world. And Bahrain is probably less con-cerned than most. The state still draws about 70 per cent of its budget revenues from oil, but it is much less dependent than other oil producers on state spending for its pros-

In the course of the last 15 years the Government has encouraged the development of producers' economies. various private sector activities and state capitalist enterprises that have become important contributors to national income and employers of large numbers of Bahrainis.

UND

For immediate practical pur-poses, the Government has to about the possible cancellation or postponement of some of the joint-Arab in-dustrial projects planned for

It also has to think of ways of increasing its non-oil revenues and cutting the levels of subsidies it gives to its

Recently, it has raised the price of petrol at the pump and increased import duties on cars, furniture and alcohol.

For the long term there is talk of introducing income tax, which at present is viewed by Bahrainis, and by other Gulf Arabs, as a dangerously socialist and thoroughly un-Arabian institution.

The Bahraini Government knows that if it runs seriously short of money it will be helped by Kuwait and Saudi Arabia, by whose standards the island's

#### requirements are insignificant. Relaxed

Shaikh Khalifa bin Sulman al It is true that the Government Chalifa, the Prime Minister, has is still a bigger employer than any of these enterprises and that the performance of most of the companies is influenced by the state of the other Gulf oil

The important point for Bahrain is that the existence of reasonably diverse industrial and financial sectors, dealing mainly with still buoyant private business in the other oil threatened by Iran, even though Tehran still harbours Hadi Mudarasi, an exiled Bahraini school master and preacher,

who is dedicated to overthrow-ing the rule of the Khalifa family. Mudarasi's Islamic family. Mudarasi's Islamic Front for the Liberation of Bahrain organised the Shia Muslim cosp d'etat plot of December 1981, which was unmasked by the Bahraini authorities shortly before it was due to be put into effect.

The Government's more relaxed view of Tehran has been prompted by the failure of the Iranian air force to make of the Iranian air force to make much impact in the war with Iraq and by the bloodshed and chaos within Iran, which has diminished the allure of Islamic revolution in the eyes of young Bahrainis.

Equally important, the existence of the Gulf Co-operation Council, formed in 1980, gives Bahrain's rulers the feeling that the Gulf states are less likely to

the Gulf states are less likely to be subverted one by one by the

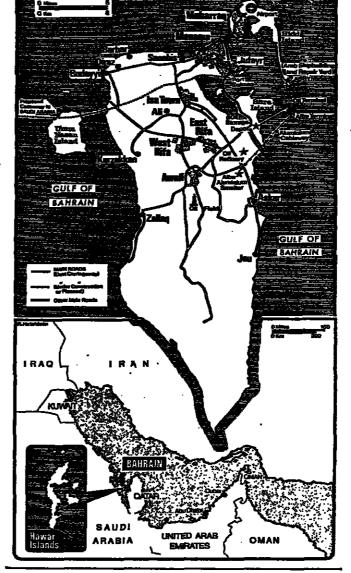
It is significant that during the negotiations this month on the Gulf oil slick, produced by damaged Iranian wells, the Tehran Government received a Kuwaiti-United Arab Emirates mission representing the whole

Tehran says that it regards the GCC as an imperialistcountry's finances.

Politically, the prospects of the oil slick it seems prefacing the Government look significantly better than they did two or three years ago.

The Bahrainis now feel less threatened by Iran, even though
Tehran, still hash

debate within Bahrain is whether the Government is



survey was written by Michael Field, Stewart Dalby, Mary Frings Kathy Evans, Editorial production: Mike Smith, Pictures:

likely to reintroduce a National

Bahrain's only previous National Assembly sat between 1973 and 1975. Its members Bahrain's thought much more of impress-ing their constituents than of the broad national interest.

They failed to pass a single piece of legislation and formed some unholy alliances in the

The Assembly members were one quarter left-wing radicals, nearly a quarter Shia religious

conservatives, and the rest in-dependents—many of them cking a good education or firm political principles.

Most of the leading Bahraini families did not field candidates in the Assembly elections. They have explained since that they were too busy with business, and, more interestingly, that they felt that it would be un-dignified and embarrassing to have attention focused on them

CONTENTS Trade The Kuwaiti role ΪX Business guide Construction Aviation XI New industries Offshore banking VI Shipbuilding XII Domestic banking XII

Assembly was dissolved by an exasperated Government there has been speculation about when (or if) the Ruler would try another democratic experitry another democratic experiment. The speculation has been increased in the last two years by the institution of appointed consultative councils in Qatar and Oman, the reappointment of a council in the UAE, and the election of a new assembly in Kuwait.

Labour

Politics

Economy

Oil Companies

Oil and Gas

Education

It is not easy to find anyone It is not easy to find anyone in the ruling family or outside it who says openly that he is against the establishment of a new elected, or partly elected, assembly. In Bahrain, people feel that It is important that they be liberal.

The one thought that members of the Government are prepared to say worries them about an election is that it would encourage "outside interference" in Bahraini politics. They mean that Iran would be bound to foment the political passions of its Shia co-religionists on the island.

Those who are of a genuinely liberal persuasion add that some of the people at the top of the Government—notably Shaikh Khalifa bin Sulman—simply do not think that the marting of a persuasibility of a persuasibility. creation of a new assembly is very important. They, and several of the technocrat mini-sters outside the ruling family, believe that it would only hinder development.

However much private discussion there may be among Bahrainis, in the senior echelons of the ruling family there is apparently no serious consideration being given to a new assembly at present. Little weight is given to the fact that a large part of the Bahraini population wants an assembly population wants an assembly and thinks that it would be beneficial.

It is widely remarked by Bahraini liberals in all sections of society that just as there may be a cost in electing a new assembly there may also be a For the moment the Govern-ment enjoys the widespread goodwill of its subjects.

Shaikh Isa bin Sulman ai Shaikh Isa bin Sulman al Khalifa, the Ruler, is well-loved and respected. He is accessible and very generous. Although he is a man of very few words, who has a somewhat black and white view of the world, he is regarded as being perceptive and as having sound judgment on important issues.

The Ruler's brother, Khalifa bin Sulman, the Prime Minister and main power in the land, is and main power in the land, is an extremely tough and much more complicated character. Unlike Shaikh Isa he sees many sides to every problem. The Bahraini merchant class rather resent his business dealings, conducted the super to the land. conducted through the Unitag Group; he is virtually the only member of the Al Khalifa with important commercial interests outside real estate. The ordinary people of the island respect and fear him.

### Determination

The leading powers in the Khalifa family, who are Shaikh Isa, Shaikh Khalifa, Hamad bin Isa—the Crown Prince, and Mohammad bin Mubarak-the Foreign Minister, are helped in their determination of the Government's policy by the fact that Bahraini society is bound together by a national con-sensus that is rare in the Middle

Bahrainis know that their country has extremely small oil reserves by Gulf standards and that therefore it has to live off its wits. It is obvious from day-to-day conversation that they accept that to make a success of running a service economy — which is what Bahrain is—they must be well

educated and must work hard.
Given these realities they
seem to acknowledge that the
Khalifas' style of Government
and their economic policies during the last 20 years have been the right ones.

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National Bank of Bahrain	Bahrain	5.0%
Gulf Insurance Company	Kuwait	4.0%
Kuwait Insurance Company	Kuwait	4.0%
Al Ahleia Insurance Company	Kuwait	2.0%
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Head Office: Bahrain Branch Office: Singapore March 1983

### First steps taken on the road to trade unionism

the Arab Labour Organisation and the ILO will eventually get

us there."

More than a dozen international labour conventions, on everything from freedom of association to pay and conditions of work, are awaiting ratification. In this context the move towards labour organisation seems to be a response to tion seems to be a response to external obligations rather than to pressure from the shopfloor. At the moment, members of the Committee seem hardly able to believe their luck, and are certainly not in the mood to push it too far.

Bahrain has a long history of labour activism which at times has spilled over into violent confrontation with the authorities. In 1973, an industrial dispute at the two-year-old Aluminium Bahrain (ALBA) smelter ended in police intervention, with several arrests and nearly 200 workers losing their jobs. It was one of a series of strikes around the island before the dissolution of the National dissolution of the National Assembly in 1975,

At ALBA, what appeared on the surface was the probably legitimate grievance of a group welders in the workshops but this was not necessarily at the root of the problem. People on the plant at the time say that PFLOAG, the Aden-backed Popular Front for the Libera-tion of the Arabian Gulf, had a cell at the smelter and was demanding official recognition for its own candidates to form a trade union.

Recognition was withheld but the welders are said to have refused to settle their grievance through any other channel.
Other workers downed tools in
sympathy and occupied the
casthouse. The situation turned very ugly. Strikers threatened to throw anyone who inter-fered into the pots of molten

At this point armed police were called in and the strikers were ejected by force. In order to keep the smelter in production, the management offered double or even treble wages to non-militant employees who wanted to work and support for the union began to melt away. Many of the militants who lost their jobs were reinstated after

a suitable lapse of time. It was a frightening episode which some people, with hindsight, believe was mishandled from the start. The smelter

Labour Law to replace the 1955
Labour Ordinance, which was based on old British colonial practice. There was also a Social Security Law and at ALBA representatives of each department were elected to a coperate in resolving disputes, mittee members who are elected to the 11-man General committee for Bahrain Workers are more omerous, since they may be called upon not only and in any other matter of mutual interest to the two pardecessions.

THIS YEAR labour representatives from major industrial and service companies elected the first officially recognised General Committee for Bahrain Workers.

No one is yet calking it a trade union, but in the words of one labour official: "Membership of the implications of the new law the implications of the new law the implications of the new law the conserver. more clearly than the conserva-tive establishment would have liked. His resignation from office came very shortly after the visit to Bahrain in the spring of 1980 of a delegation from the International Federa-tion of Arab Trade Unions,

which in the past had refused to recognise any labour organi-sation in Bahrain, except under the terms of a fully-fledged union law. Everyone stoutly denied that the Minister's return to what is now a very flourishing legal practice had any political overtones, and his successor, Shaikh Khalifa bin Sulman bin Mohamed Al Khalifa, soldiered

determinedly on There was not only suspicion from the reactionaries, there was apathy from industry.
When the directors of some

Members of the Bahrain Workers' Committee can hardly believe their luck and are certainly not in the mood to push it too

companies—notably Gulf Air and the Arablan Ship Repair Yard (ASRY)—showed no sign of taking up the option of establishing joint consultative committees between management and labour, the new minister tested and option in Tuly 1921 and tabour, the new minister issued an order in July 1981 designating eight companies—the Bahrain Petroleum Company, Alba, Bahrain Telecommunications, Gulf Air, ASRY, Bahrain Airport Services, Pahrain Slieners Company and Bahrain Slipway Company and BP Arabian Agencies—in which joint committees were to be

compulsory. The discovery in December 1981 of an Iranian-inspired plot to overthrow the regime could well have put a damper on further progress, but surpris-ingly it did not.

Most of the designated comparties had had some previous experience of labour organisation, although the system varied. ALBA's was on the British pattern, using direct representation from the shop floor, Bapco's was communictation between workers and management.

technical teething problems system was somewhere in the that no one had paid much middle, with five appointed attention to labour relations. attention to labour relations. management representatives
A number of lessons were and five elected workers formlearned. By 1976 there was a ing a joint committee to "co-new and more comprehensive operate in resolving disputes,

cannot be settled by negotia-tion, the Labour Law provides for mediation by the Ministry of Labour and, in the last re-sort, recourse to arbitration by the civil courts. The Penal out on career development to the Labour Law, courses, another that he has a specifically rules out the right of less time for golf.

The General Committee is

To qualify as a candidate for election as a worker-representative, an employee must be at least 25 and not have been convicted of any felony, misdemeanour or dishonorable conduct within the previous five years (or whatever lesser period had been prescribed for rehabilitation).

Additionally, he or she should not have been engaged in any activity prejudicial to the internal or external security of the state, the national unity of the nation or the national in-terest of the state." The arbiter in this case is the Ministry of the Interior.

This clause would appear to be open to wide interpretation, and could be used to weed out any prospective candidate with courage of his slightly nonconformist convictions.

Before the elections to the joint-committees last year, one or two candidates were rejected, but not without good reason, in the view of impartial labour officials.

One employer said he agreed wholeheartedly with the authorities' judgment. "It was necessary to prevent a minority taking control," he said. Others, however, think that the choice would have been better left to the good sense of the voters. In any event, elections were held by secret ballot through-out 1982, at carefully staggered intervals, and the turnout in

Since their election, the joint consultative committees have been mainly engaged in drawapproval by the Ministry of Labour. These documents echo the Labour Law in stressing duties as well as rights, "guided by custom, fairness and seeking the public good, bearing in mind the social and economic restricts of the secondary." position of the company."

most companies was around 80

One states that candidates for election should "not en-gage in propaganda in any form but goes on to assure members that they may "ex-press their views in meetings of the joint committee freely and out fear of adversely affect-American style, with super- ing their employment or their visors acting as a channel of careers with the company, provided they always act in good faith."

> for attendance at meetings outside their normal working player and the civil service is hours, together with reasonable outside the scope of the Labour travelling exper

ernment, employers and labour but to sit on labour services and welfare committees and on social security and training boards. One member is stready complaining that he is missing out on career development courses, another that he has a

exclusively Bahrami: in the

The degree of autonomy permitted to the General Committee is not great. Every step it takes must be approved by the Ministry of Labour.

words of the Minkter of Labour, "I could not take an Indian and a Fitipino with me to speak for Bahraini labour at the ILO."

The degree of autonomy per-

mitted to the General Commit-tee is not great. Every step it takes must be approved by the Ministry of Labour. It is barred from any political affiliation and from accepting any outside financial support, unless authorised to do so. The Minister may dissolve it if it makes any resolution or acts in any way contrary to the internal or external security of the state or which may disturb national unity or the interests

of the state." Every registered club and society in Baurain is supported by Government funds, but oddly enough the size of the General Committee's budget ployers are fined by the counts for contravention of the Labour Law; it is to be allocated 25 per cent of the yield from this

source.

Members would like to have their own headquarters, to relieve them of the necessity of meeting on Ministry of Labour premises. A degree of financial independence would be helpful, and subscriptions from workers or a subserv from the social security fund are among the ideas to be discussed with the Ministry. There seems to be no question of the bers going back to their conwhether willingly pay a monthly sub.

At the moment, the General Committee for Bahrani Workers is a very pale imitation of a national labour union. One problem is that it represents a minority of the Bahraini workforce, not only because there are other private sector companies besides the desig-Government is the biggest em-

The duffes of the joint committee members who are elected to the 11-men General Committee for Bahrasin Workers are more onerous, since they may be called upon not only

Mary Frings

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Kathy Evans on moves to improve education

### Instilling the love to learn

OVER THE next eight or nine
years, Bahrain's 24,000 primary
school pupils will witness
fundamental changes in the
style of education they receive.
Rabrain's Education Winister.

our schools emphasised the ability to memorise by rote. There was little freedom of expression within the class, the text books were narrow and there was little variety or choice either for the student or the teacher," he says. Now, children will learn to develop

to 20 per cent a year and failures were being left by the wayside instead of being tackled. He hopes to get the drop-out rate down to one or two per cent a year, but just in case results are not that rapid, legislation is being drawn up to introduce compulsory education for all children between the years of six and

### Transformation

The transformation is going to take some years Dr Fakhroo explains, because the new style teaching methods will be introduced by Bahraini teachers, instead of Egyptians. The higher institutes of education

style of education they receive.

Bahrain's Education Minister,
Dr Ali Fakhroo wants to put a
breath of fresh air into the
island's classrooms.

"Until now, the education in
our schools emphasised the
"Tespect—is rapidly being respect for money
and success in business. "The
teacher here has lost a lot of
prestige lately and this is a
reflection of what is happening
all over the world," says Dr

In order to recreate the prestige the Education Minister is hoping to make the career of teaching an attractive one financially, and stimulating on an intellectual basis. The Ministry is therefore moving to decentralize decision-making, involve teaching staff more in children will learn to develop themselves. They will learn to love to learn," Dr Fakhroo says.

This reorientation of Bahrain's education system is vide periodic refresher courses necessary, he believes, to put back the stimulus into learning. The primary school system was suffering a drop-out rate of 18 to 20 per cent a rear and the stimulus into the

All these measures in the early stages of education are vital if higher education is to have any value. "You can't have a good university without having an equally good primary system," declares Dr Fakhroo.

A good educational structure is vital to Bahrain, for without a skilled labour force the island cannot function as a service and industrial centre.

"We only have human beings in Bahrain. We don't have much oil or much cash, so if we much oil or much cash, so if we don't build our human structure, we have nothing." In recognition of this paucity of financial assets the six Gulf Cooperation Council states and Iraq have decided to locate the Gulf University on the island.

students, 70 per cent of them doing post-graduate studies.

The exact style of the university has yet to be decided by the Arabian education ministers, though a number of conservative states are known to be concerned that the campus and its students should live and

### Segregation

The ministers have already decided that the university should segregate men and women students in the classroom and library. Such policies contrast sharply with style of Bahrain's existing higher education institutions, such as the Gulf Polytechnic, which is coeducational.

Both the public and the private sectors are thirsting for the students and graduates who emerge from the school system, the technical college and the university.

academic standards vary. The Bahrain institution will, in contrast, attempt to operate as a kind of Think Tank on the region's problems and needed technology.

Among the courses being offered are desert sciences, marine biology, and medicine. The university will have 5,000 where in the Guif. Already the cabinet is debating economic growth rates suitable for the island. Some ministers are arguing for a 6 per cent growth, while others are pushing for between three and 5 per cent so that the ratio of local to foreign workers can be kept at manageable levels.

Opinion is now towards the low side, for Labour Ministry officials have warned that there will be no improve-ment in the ratio unless a slower rate of growth is decided upon.
With a 3 per cent growth in the economy, the percentage of Bahrainis goes up from its pre-sent 41.5 per cent to 53 per cent.

Natural population growth and the predominance of young people in the population will fill a minimum of 4,000 new jobs a year. Bahraini male employment is expected to rise from 49,300 in 1981.

Predicting the fattern and

Predicting the future employment of Bahraini women is a little more difficult. In 1971 over 4 per cent of all women were in the labour force, but 10 were in the labour lorce, but in years later this figure had more than tripled. In the age range of 20 to 24 over 29 per cent of Bahraini women are already

university.

A recent study by the Ministry of Labour and Social Affairs showed that 75 per cent of the new jobs created in the boom of the last few years have been filled by foreigners.

Bahrainis are now mile and the working of skilled manpower has placed a premium on Bahraini employees, and most private sector firms spend a lot of time pursuing suitable candidates.

Meanwhile the infinite foreign and the survival and the sur explains, because the new style teaching methods will be introduced by Bahraini teachers, cooperation Council states and instead of Egyptians. The higher institutes of education are now producing around 200 teachers a year, so that the numbers of foreign teachers can be reduced.

Recruiting teachers, particularly male staff, is one of the Education Ministry's biggest problems. The traditional region has 17 universities, but of the new jobs created in the boom of the last few years have been filled by foreigners.

Bahrainis are now only 41.5 per cent of the total labour force in Bahrain and, university sear Bahrain imposted over in Bahrain and university servicitions are placed on immigration and development overall, the figure will go down in the sciences, offering research facilities and promoting a standard of excellence not yet seen in the area. The Gulf problems. The traditional region has 17 universities, but of the new jobs created in the boom of the last few years have been filled by foreigners.

Bahrainis are now only 41.5 per cent of the total labour force in Bahrain and university in the island.

The Arabian Gulf University specialising in the sciences, offering research facilities and promoting a standard of excellence not yet seen in the area. The Gulf methods will be introduced to boom of the last few years have been filled by foreigners.

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The Arabian Gulf University specialising in the sciences, offering research facilities and promoting a standard of excellence not yet seen in the area. The Gulf methods of the influx of force in Bahrain and university specialising in the sciences, offering research facilities and promoting as the total labour force in Bahrain and university and development overall, the figure will go down in the sciences, offering research facilities and promoting as the same force in Bahrain and university and the total labour force in Bahrain and university and the total lab

### Shia relations with Sunnis uneasy but stable

sinate their ruler, Shaikh Isa, and stage a coup d' etat-

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institute of Labour

The conspirators were Bah-They were assisted by a few (but excluding Budiya), Sitra other Arabian Shias, including Island in the north-east, and some Saudis and Omanis. They Ali in the north centre. had been trained and armed by the Tehran-sponsored Islamic Front for the Liberation of Bahrain and had been sent to the island from Iran-

In Bahrain they were able to use safe houses, but they received little active support from the resident Shia com-

The vouths were arrested, it is believed, after a tip-off from the Dubai police, who had noticed that some of their number en route from Iran had forged entry stamps in their passports.

A trial in a more or less closed court was held in the orthodox the sporsely inhabited south-east

None of the 72 who were convicted was executed. Two were given life sentences and the rest shorter prison terms.

The plot was serious by any standards, but it was made particularly worrying for the regime by the fact that in con-trast to all the other Arabian oil states Bahrain has a Shia

The Government ensures, when it holds a census, that it makes no classification of its people by religion, but un-officially the Shiz component among Bahraini nationals is thought to be about 60 per cent. The Shia population is multiplying faster than the Sunnis. This is causing the ruling Khalifa family to offer free housing to some of the mainland tribes to encourage them to settle in Bahrain,

#### Confusion

There is no infallible way of telling which of the Bahrainis are Shia and which Sunni Many of the Shlas wear their ghotras, their head-dresses, bound around their heads in loose turbans. This shape is state very different from the associated with the turbans foundation of the other Gulf worn by Shia divines. To constates. The ruling families of fuse matters, however, there Kuwait, Qatar, Abu Dhabi and are as many Shias who wear Dubai were either chosen as the

EIGHTEEN MONTHS ago, in (black head band) arrangement, December 1981, a group of Bah- and a few of the Sunnis seem raini youths was discovered to have adopted the turban have hatched a plot to assas- head-dress style.

A better way to guess a person's religion in Bahrain is to discover in which village or in raini Shias, members of the which part of Manama he lives. raini Shias, members of the which part of Manama he lives. schismatic and mystical branch. The main areas of Shia settle-of Islam that is associated in ment are the villages of the most of the Muslim world with the poor and down-trodden. cluding Sanabis and Barbar that the state of the sanabis and Barbar than the sanabis and barbar than

In Manama itself the An Naim quarter in the west of the town and the large central, inland area between the "gold street" and the police fort are

The more or less equal Sunnia feature of the Bahraini population. It has emerged gradually since the Al-Khalifa conquered the island in the late 18th century.

When the leaders of the Khalifa family evicted the Persian governor of Bahrain Persian governor of Bahrain exactly 200 years ago it seems that the population of the island was composed almost entirely of Shias, known as Baharna. It is a striking fact that today it seems to be impossible to find any Sunni family in Bahrain that claims to have been on the island before the Al-Khalifa.

The Khalifas arrived with a number of tribal allies. These included the ancestors of the present large families of Jalahima and Manai, who are originally from northern Arabia, Dossari, which is part of the Dawasir tribe of south-central Arabia, and Naim, from the Qatar peninsula

In modern Bahraini society these families form what is known as the tribal element. They are not in any sense equal to the Khalifas-they are as much retainers as friends-but the Khalifas do sometimes take brides from their ranks. Much of the land held by

these families has come ultimately from the Shia population. Shia land was lost through a practice of confiscation when taxes were not paid, or through outright seizure. This process, and the fact

that the Khalifas had originally to fight for their island, made the foundation of the Bahraini

The division between Sunnis and Shias on the island and the presence of a number of other distinct communities has made Bahrain a turbulent society by

the normal standards of the It is important that this should be understood by foreign investors assessing the island as a political risk, 'The reason is not that the investors ought to avoid committing themselves to the island—there is no special cause for thinking that the pre-

cause for thinking that the pre-sent regime is insecure—out that they should not be fright-ened, as some of them have been recently, by demonstra-tions, minor riots and plots. The disturbances of the last few years are nothing new.

#### Importance

In the 1930s there began a long period of harmony in community relations—partly be-cause the British had stopped the seizure of Shia land by the

Westerners and the more technocratic Bahrainis assumed happily that community was a dying concept on the island, though one well informed Westerner remarked recently that he realised in retrospect that they cannot have been looking sufficiently closely at Bahraini society. Not enough importance was attached to the fact that in the elections of 1973 for Bahrain's short-lived national assembly most of the vote split on community lines. The division between Sunnis and Shias re-emerged clearly in 1979, when Ayatoliah Khomeini came to power in Iran, which is a predominantly Shia

country. Since the Iranian revolution the Shias of Bahrain have looked to Khomeini as their Imam, their leader. The Ayatollah is regarded primarily as a religious figure. Unlike the Sunnis, who emphasise the direct personal relationship between every man and God, the Shias have always looked for holy men to lead them and have vested their leaders with

spiritual authority. To some extent the Bahraini Shias also look to Khomeini as a political leader.

From the time he came to are as many Shias who wear Dubai were either chosen as the western dress or the convented leaders of their communities or people of Arabia—and particution the coases of Qatif and Qatif and the coases of Qatif and Qatif a

settlements. The Khalifas im-posed their rule on an island rise up and overthrow their in the rituals.

that was already inhabited.

the Saudi Eastern Province—to during Moharram to participate sympathetic to them. Notable examples of such institutions at present are the Ministry of one of his speeches triggered riots over several days in the

Western part of Manama.

A little later there were further disturbances during the emotional month of Moharram, religious plays and processions, with back flagellants and chest

busters.

There was more ferment when a Shia youth died in police custody. His corpse was spirited away from the morgue, paraded through part of the town and displayed in a mutilated state to spectators at a Shia cemetary. There was some question congregate in mis as to whether the wounds had corporations that a been incurred before or after fellow Shias or

in December 1981, a year In the early decades of this after these disturbances there century violence between occurred the infamous coup Sunnis and Shias was endemic. d'etat plot.

u pairminis have been made much more concious of the Sunni-Shia than they were five years ago, it cannot be said that relations between the two communities are bad at present.

There are close Sunni-Shia friendships and business partnerships, and the leading Shia families—including Arrayedh, Alawi and Mudaifa—have good relations with many of the senior members of the Al Khalifa. The Ruler, Shaikh Isa bin Sulman, and his brother, the Prime Minister, Shaikh Khalifa, have often attended weddings and funerals of im-portant Shia tamilies.

The Khalifa family's view of the Shias as a whole is less friendly; as devout Sunnis they cannot out regard the Shias as heretics.

In a few cases there have been Sunni-Shia marriages— but invariably these unions have involved Sunni families known for their emancipated views. Yusuf Shirawi, the Minister of Development and Industry, and Ali Fakhroo, the new Minister of Education, have both married Shias. The brother of Jassim Murad, who was one of the most outspoken deputies in the 1973-75 Assembly, is about to marry a

The Bahraini Government is the only regime in Arabia to tolerate the Shias' gaudy and emotional Moharram processions. Before the Iranian revo-lution caused governments to monitor the movements of the Shia populations more carefully

present there are five Shia ministers: Jawad Arrayedh, the A little later there were further disturbances during the emotional month of Moharram, when the Shias commemorate their early martyrs by staging the staging and agriculture; Majid done much to take the edge off the staging the staging and agriculture; Majid done much to take the edge off the staging the staging and agriculture; Majid done much to take the edge off

> people instinctively when they are allocating jobs. There is no question that Shias tend to congregate in ministries and corporations that are headed by

In the Bahrain Government at Health and the Bahrain Telecommunications Company.

Shaikh Hamad bin Isa (the Crown Prince) who make life difficult for us."

Michael Field



Bahraini society is composed of eight or nine communities. The island also has a large population of short-term expatriate residents. Here the different peoples me together in the Manama souk

### An island of mixed communities

BAHRAIN IS a polygiot state, both religiously and racially. Leaving aside the temporary immigrants of the past 10 years, there are at least eight or nine distinct communities on the island.

They include the numerou members of the ruling Khalifa family, the Arabian tribes, which arrived with the Khalifas, and the Shias. These communities, which were all present at the island at the beginning of the last century, are described in the article on the Shias in this

survey. In the years after the Khalifas' arrival in the late eighteenth century numerous other settlers came to Bahrain, Many of these were hawala, Sunni (orthodox Muslim) Arabs who were originally from Arabia and who had settled in large numbers on the Iranian coast. Modern Bahrainis of hawala origin are the well known trading families of Kanoo and Almoayed, which share common ancestors, and the Fakhroos, who have members

in trade and government.

A few other settlers came directly from Arabia-notable examples being the families of Zayani, Mattar, Mussalam -now a long established family on Hid Island, and Bin finding multiplication in the first state of the famous for pearl trading. The Zayanis, who like the others are of Nejdi (central Arabian) blood, came from a village near the Red Sea coast. They now own oil of the biggest Bahraini merchant houses, well known for the Rolls-Royce agency.

There used to be a much bigger number of Nejdis in Bahrain—though most of them had not lived on the islands for as long as the Zayanis or Mussalams. They included such names as Zamil and Algosaibi, which are now famous in Saudi Arabia. They

made up a distinct community of traders, importing goods through Bahrain for sale on the mainland. Most members of the Nejdi families returned to the mainland in the 1950s, when Saudi Arabia began to develop as an oil

#### Prosperous

In the 19th century there gradually developed a significant Persian community in Bahrain, with both Sunni and Shia members. The Sunnis, eastern Zagros mountains around Kerman, included the ancestors of the present families of Bastaki, Awadi, Mustapha Abdiatif, Khurnji and Ishak — one of whose members is a major sharebolder in the Hilton Hotel.

The Shias, mostly from the south-west of Iran, included the Kazeroonis, the Alirezas, once Shia although they are now undoubtedly Sunni, and the Dawanis, who own the Al Jazira Cold Store, the biggest establishment of its type in

Some of the Persians are now prosperous merchants and landowners, others continue in more menial jobs, such as baking and labouring, which are regarded as being traditionally Persian.

The long-standists Persian immigrants have Bahraini passports and are regarded as Bahrainis, even though many of them still speak Farsi

In the lower echelons of society the Bahraini Persians mix with the numerous shortterm Persian immigrantsalso labourers and bakers in most cases—who travel quite regularly between Arabia and

Iran.
At about the same time as the Persians came to Bahrain an Indian community began to appear on the island. These people were merchants who had dealt with the Bahraini pearl traders in Bombay and were drawn to the island by e prospect of buying pearls locally or importing food or other basic supplies to sell to the pearling dhows.

Further Indians were brought in to work as clerks nd minor officials when the Bahrain Government began to be modernised by Sir Charles Belgrave in the 1930s and

The Indians have been they have their own temples and burning grounds for their dead. Indians living in less to Bahrain to be married.

#### Well known

The Indians do not mix with the other communities and are not regarded quite as being Bahrainis. Only the earlier Indian arrivals carry Bahraini passports.

The smallest and least conspicuous of the Bahralni communities are the Jews, whose ancestors may have been established on the island for centuries.

Before 1948 the Jewish omunity was quite significant in numbers but it is now reduced to a mere handful of families. Its best-known members are Daoud and Azra Noonee: Daoud runs the family money exchanging business, the Bahrain Financing Company, and Azra is the general manager of the publicly-owned cinema company. In keeping with the Bahraini tradition of tolerance the Jews are allowed their own synagogue and cemetery.

M. F.

# Al-Zamil's dynamic growth is a part of the success of Bahrain and

The Al-Zamil Group of Companies is an outstanding example of the dynamic growth of Industry and Commerce in Bahrain and Saudi Arabia. We are one of the fastest growing organisations in the area with a strong local manufacturing base which includes:

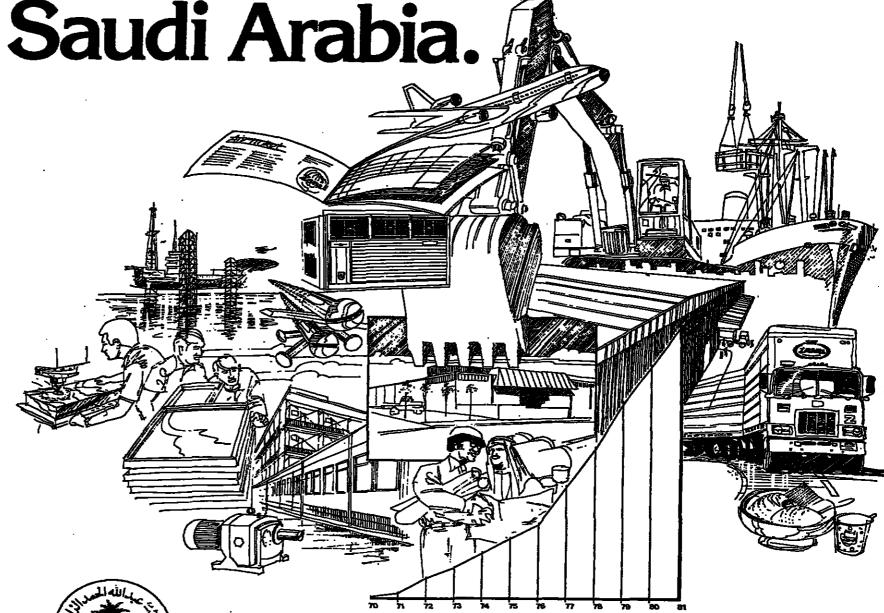
Al-Zamil Refrigeration Industries: Air-conditioning equipment, Domestic appliances; Zamil-Steel: range of pre-engineered industrial and commercial steel buildings; Zamil Aluminium: doors, windows and fittings; Zamil Marble: cutting, polishing and installation; Zamil Food Industries: Food processing, storage and distribution; Zamil Nail & Screw Factory: range for builders and contractors; Zamil Plastic Factory: domestic and industrial plastic products.

We also provide a wide range of services and products through other Al-Zamil Companies and Ventures with world famous Companies which include:-

Zamil Marine and Catering Services: ship repair, supplies, catering, housing barges; Zamil Travel: full travel agency services; Zamil Corelab: core analysis, geological consultancy; Arabian Gulf Construction: general contractors, electrical, mechanical and power transmission; English Rose Kitchens, Freudenberg Carpets, Emerson Electric Co: Emerson Electrical Motors, Rosemount office system, Daybrite lights; Allis Chalmers: pumps, compressors, mineral processing equipment; Siemens-Allis: electrical power apparatus, Al Ahlia Insurance, S.A.E. Milan: Electric towers and sub-stations; Harco Corporation: Cathodic protection; Alex Harvey Industries: building materials, packaging, food glass; Zamil Fencing and Specialist

If you think that the Group can help you in Bahrain, contact M.Easo in our Bahrain office or Ron Morean, Group Marketing Manager, at the Al-Khobar Öffice, Saudi Arabia.

P.O. Box 285, Manama, Bahrain Telex: 8381 ZAMIL BN Tel: 253445, 257503 P.O. Box 9, Al Khobar, Saudi Arabia. Telex: 670132 ZAMIL SJ, Tel: 864 2567, 864 1299



Al-Zamil Group of Companies

### NATIONAL BANK OF BAHRAIN

P.O. Box No 106 Manama, Bahrain Tel:258800 Telex 8242 NATBNK BN

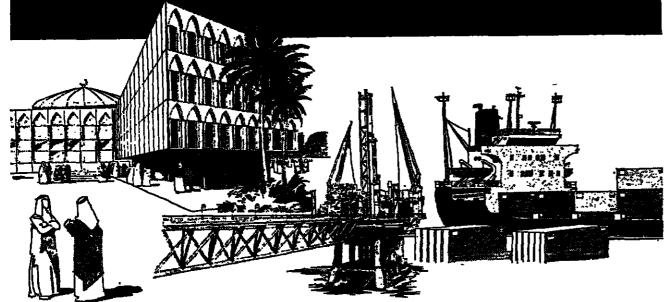
Statement of Condition at 31st De	cember 1982
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	1982	PD 104	981 UŞ <b>S</b> : <u>M</u> IM
	ED MM US S MM	RD WW	CO P INTIN
ASSETS			
Cash and Due from Banks	16.98 50.40	16.76	44.63
Reserve Deposited with Bahrain Monetary Agency	5.32 14.19	5.56	14.8I
• • •	210.21 560.56	176.66	470.47
Time Deposits - Banks	179.99 479.52	158.24	421.41
Loans, Advances and Overdrafts	9.64 25.71	10.22	27.22
Other Assets	424.06 1130.83	367.44	978.54
	3	17.43	46.42
Investments	,	5.21	13.87
Fixed Assets	5.05 13.47		1038.83
Total Assets	1185.23	390.08	
Contra Accounts	; 189.98 506.61	61.40	163.52
Total Footings	634.44 1691.84	451.48	1202.35
LIABILITIES			
Current, Saving and Other Demand Accounts	76.67 204.45	67.60	180.03
Due to Banks on Current Account	8.47 22.59	7.75	20.64
Time Deposits — Banks	91.89 245.04	98.89	263.36
- Non - Banks	199.38 531.68	164.85	439.01
Directors' Remuneration (Subject	440		
to Shareholders' Approval)	0.16	0.06	0.16
Dividend Proposed (Subject to	4.20 11.20	1.40	3.73
Shareholders' Approval)	11.25 30.00	12.50	33.28
Other liabilities	391.92 1945.12	353.05	940.21
TOTAL LIABILITIES		333.03	310.41
SHAREHOLDERS' EQUITY			
Share Capital	21.00 56.00	14.00	37.28
Reserves	31.54 84.11	23.03	61.34
TOTAL SHAREHOLDERS' EQUITY	52.54 140.11	37.03	98.62
TOTAL LIABILITIES AND	444.45" \$100.00	200.00	1/120 02
SHAREHOLDERS' EQUITY	444.46" 1185-23 " 199 98 506 61 "	390.08	1038.83
CONTRA ACCOUNTS	7 200 300 300 000	61.40	163.52
TOTAL FOOTINGS	634,44 1691.84	451.48	1202.35

#### Statement of Income, Expense and Appropriations for the year ended 31st December 1982

NOTE	1982 BD MM US S MM		981 US \$ MM
INCOME Interest Earned	56.55 150.80	47.27	125.89
Less: Interest Expense	41.45 110.53	37.34	99.45
Net Interest Income	15.10 40.27	9.93	26.44
Other Income	4.26 11.20	2.56	6.82
TOTAL INCOME	19.30 51.47 each	12.49	33.26
EXPENSE Staff Expense	3.53 946	2.56	6.82
Other Items	4.36 11.53.	3.11	8.28
TOTAL EXPENSE	7.89 21.04	5.67	15.10
Net Income Before Exceptional Income	11.41 44 30.43	6.82	18.16
Exceptional Income .	K93 23.81		
NET INCOME AFTER EXCEPTIONAL INCOME	20.54 59.24	6.82	18.16

## Which merchant bank can draw on over 100 years experience of operating in the Middle East?



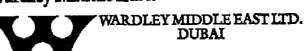
Although we have been based in Dubai only since 1975, we have been involved in finance in the Middle East since 1882. And that gives us a formidable amount of experience of this complex area and its markets.

Through our close association with the British Bank of the Middle East, whose branch network gives us points of contact throughout the region, we can offer a highly effective service wherever it's needed.

And as a wholly owned subsidiary of the Hongkong Bank Group, with assets

of US \$58 billion we have major resources to back all the services that you would expect from a leading merchant bank.

If you work in the Middle East for as long as us, you may get to know as much about the area as we do. But until you do, you'll find it easier to contact Wardley Middle East.



Amember of the Hongkong Bank Group

Head Office: P.O. Box 4604, Deira, Dubai, U.A.E. Telex: 45806 Wardub EM. Telephone: 221126/7/8/9.

# Outlook bright despite the oil slick threat

IN BAHRAIN just now talk about the oil slick somewhere in the Gulf seems to dominate in the Gulf seems to dominate all conversations about the economy. Although no one engages actually to know very much about it dire seems actually to know very much about it dire seems actually to know very much about it dire seems to third or so. Services do not concerned, the main uncertainty thing seems set fair. As a reconcerned, the main uncertainty thing seems set fair. As a reconcerned, the main uncertainty thing seems set fair. As a reconcerned, the main uncertainty thing seems set fair. As a reconcerned, the main uncertainty thing seems set fair. As a reconcerned, the main uncertainty thing seems set fair. As a reconcerned, the main uncertainty thing seems set fair. As a reconcerned seems to dominate in the course of the course, there is the course, there is

spending programmes, and if the world price for aluminium does not pick up, then Bahrain could be in for a period of de-fiation and tough restraint.

Yet, five months into 1983, the economy appears to still be ticking over nicely enough and the dangers remain potential rather than actual. economy is growing at between 4 and 5 per cent compared with an 8 per cent growth in GNP in real terms last year. Infa-tion is certainly in double figures (although because of the strange mix of foodstuffs, largely imported and partly con-trolled, and of consumer goods in the CPI basket it is difficult to pin down an exact figure). But none of the major infrastructural and diversion prolink to Saudi Arabia, the petro-chemical plant and the iron steel works have had to be post-

Without pushing the meta-phor too far, the problems hovering over the island's hovering over the island's economy are little like the oil slick. If oil prices drop, if Saudi Arabia, in particular, does not pump enough oil for Bahrain's refinery, if Saudi Arabia and other main oil producers for the Crife clash their ducers in the Gulf slash their

#### Ticking over

It could, if some of the oil got into desalination plants or aquifiers ruin the water supplies of Bahrain and cost a great deal of money. Yet, so far, the oil slick has not struck.

carbons do account for over 80 per cent of exports (although the trade picture is complicated because oil for the refinery accounts for just over half of imports). Oil and gas account for three quarters of government income, and government expenditure is responsible for two-thirds of Bahrain's GDP. filled by customs and excises duties, and grants and loans from Arab neighbours. Saudi Arabia, Kuwait and the UAE between them, last year con-tributed BD 62M (\$147m) to the Bahrain budget in grants and loans. Usually the budget balances and it is not unknown for there to be surpluses. Bahrain emerged from 1982

with its books looking in good enough order. Total exports were BD L3bn (\$3.4bn) while total imports at BD 1.2bn were just slightly lower. This was a deterioration over 1981, but a respectable enough perform-ance, given that the aluminium smelter made a loss of \$22m despite higher output.

The Government's budget seems to have been underspent. Budgeted expenditures and revenues were put at BD 560m of which BD 262m was classified as development expenditure. However, only BD 175m was actually disbursed. Final figures for recurrent expenditure had not come through at the time of writing, but there were hopes that this too might be underspent.

This could be just as well, this could be just as well, since for 1983, Bahrain could have a deficit. Preliminary figures for 1983 budgeting are that the Government will spend Unlike some other Gulf that the Government will speak economies Bahrain has never been a major oil producer and been a major oil producer and venues, hopefully BD 645m.

As Mr Habib Ahmed Kassem, has never accumulated huge As Mr Habib Ahmed Kassem, reserves. Once it was a trade the Minister of Commerce and

entrepot, and now, using its Agriculture, puts it "tins year modest oil and gas, it has we could see a deficit, but you diversified into some industry, must remember that these and tried to become a services figures are only estimates. Be-entrepot. Oil and hydrocarbons sides we were underspent on account for roughly one third our capital budget last year and of GDP. Manufacturing and so there will be a carry-over of industry, if one includes the some kind. We should end up supplies.

aluminium smelter, and the more or less square."

For the moment, however, stays buoyant, and services the remaining as the Government budget is cerned, and the refinery, every-

are outlined about the effects that this slick—which could be 100 miles long, or 25 miles long and three feet deep could have. It could destroy the fishing industry to begin with, it could pose enormous hazards to shipping.

It could, if some 7. The count for some 10 per cent of the workforce, but this will diminish at but this will diminish at but this slick—which could be given the stringent conditions about employing Bahrainis, and about employing Bahrainis, and financial services attogether probably account for some 10 per cent of GDP.

However, oil and hydrodramous hazards to shipping.

It could, if some 7. These budget figures (1983-but this will diminish at the between some 3 per cent a year and in 20 years and 1983) are, in any event, the four year 1993-85. However, oil and hydrodramous hazards to shipping. Arabia controls and runs. Bahrain has little say in output and receives a monthly check.

#### Marginal rise

In 1982 its oil revenues broke two-thirds of Bahrain's GDP.

The gap in government down as follows: net crude revenues left after oil income is filled by customs and excises duties, and grants and loss natural gas revenues BD 8m, from Arab neighbours. Sandi and oil tax BD 12m, giving a Arabia, Kuwait and the UAE

In 1983 net crude revenues are put at BD 476m, of which BD 322m should come from Abu Safa. Natural gas revenues are scheduled to rise marginally to BD 9m and oil taxes are estimated. mated to remain the same at BD 12.7m.

In other words, Bahrain's own oil income is scheduled to drop it is an antici-pated one-third increase income from the Abu Safa field which should provide the 17 per cent rise in overall oil revenues to BD 498m.

Oil revenues amount to 77 per cent of hotal income. The government recently imposed steep rising in excise duties on fuel and alcohol, but these will not make much difference to overall government income. There must be something of

Arabia has reduced its overall production considerably. The feeling in Bahrain is that the Saudis will want to keep production up at Abu Safa if possible, but there are no guarantees

Similar doubts linger over the refinery. This has a capacity only occause at the refinery. This has a capacity Saudi Arabia, with its lower of 250,000 barrels per day. expenditure, but also because Although the refinery can break of the world debt situation. even at slightly below 100,0000 per day, it has been doing rather better than this recently, with levels of 175,000 barrels per day being seen. Since most export is supplied by, or bought from, the Saudis there must

from the Saudis. One-third should be spent on water and power projects. Because the expenditure and revenue estimates are spread over four years there is a great deal of manocurre for what a senior advisor to the ministry of finance, calls "stretching." "We have a four-year plan at

the moment, but that could easily become a six year. I easily become a six year. It do not see any of the major projects being jeopardised by the oil situation. The schools and roads programme, and things like that might suffer, but more of the big stuff," said the senior adviser.

#### Slower gear

In short, Bahrain is going into a slower gear this year without yet shedding any baggage or commitments. In practical terms the construction industry might go into a lost, but this might go into a roll, but this may be no had thing in that rents which can reach something like \$4,000 a month for a modest with could level off, and there will be a halt in hotel building. In the defiction of 1978-79 it was hotels which suffered with one or two having to be builded out by the movement. a question-mark over the Abu to be bailed out by the govern-Safa income, since Saudi ment. Bahrein has, in any event probably, more hotels than it

Business for Bahrain's active 72 offshore banking units will also probably slow down this year and there could possibly be some departures. This is not only because of the situation in

In the longer term the out-look is bright despite the desireding oil. The diversification should continue. Other imper tay being seen. Since most of the oil for refining and reup of the Gulf University, and export is supplied by, or bought in increase in defence expenditure with the possible help of the Gulf Cooperation Council supplies. should ensure that the economy

Mary Frings

### How the island's energy sector is organised

FOR 45 years after oil was discovered in Bahrain in 1932, the sales currently amount to over Bahrain Petroleum Company 10,000 b/d. (Bapco) was Al Sherika—The Company, It was never neces-sary to say which company. Bapco held the exploration rights for the onshore and most of the offshore concession; it produced, refined and marketed Bahrain's oil; it provided a wide range of services; and it was the only major employer of local labour. A surprising num-ber of today's young techno-crats, not only in industry but in government, banking and the

in government, banking and the professions, graduated from its apprenticeship scheme.

The Bahrain Petroleum Company Limited, a 100 per cent Catex subsidiary, came to an end in 1981, with the formation of the Bahrain Petroleum Company is a series of Classes. pany B.S.C. (Closed) as a Government - Caltex joint-

This company is still known as Bapeo but its activities are confined to refining oil for its shareholders and maintaining facilities for its 4,200 employees. Half a dozen other com-panies are now part of the oil industry, guided by the Supreme Oil Council under the chairmanship of the Prime

One of these is the Bahrain National Oil Company (Bances), which was established in 1976 as a wholly-owned government company, and gradually increased its role from local marketing to full management

Unit, a separate entity handling
International marketing of "vibrosels" survey, completed
government oil products
and reporting directly to
the Ministry of Development,
was merged with Banoco a
waves to below 20,000 ft, is

Production from Banoco's only oil field is declining by 5-6 per cent a year from a 1971 peak of 75,000 b/d, and will only be extended beyond the end of the century by enhanced recovery methods on the discountry was the discountry and the series of the discountry methods on the discountry methods of the discountry methods on the discountry methods on the discountry methods on the discountry methods of the recovery methods or the disrecovery methods of the dis-covery of new resources. The average oil extraction rate for 1983 is put at no more than 42,500 b/d—a drop in a bucket by Gulf standards

Fortunately Bahrain's re-serves of natural (non-associated) gas from the Khuff zone, lying at between 8,500 and 10,500 ft, will not be so quickly depleted. The zone was tapped commercially only 12 years ago to provide energy for alumin-ium smelting, and is now being developed to fuel new indus-tries and provide feedstock for petrochemicals. Dry Khuff gas is also used for gas injection to the oil reservoir and fuel for the refinery and gas tur-bine power stations, to conserve the richer product from the shallow Arab zone.

### Suspicious

Banoco has drilled two new development wells into the Khuff gas zone and is com-pleting a third. But it has also invested \$4m in a deep seismic survey aimed at delineating a possible hydrocarbon trap below the Khuff interval. Geologists have long suspected of the olifield. The state the existence of such a form-acquired full ownership of its oil production facilities in December 1979.

The Petroleum Marketing 16,000 ft.

few weeks ago, and now being processed in France. the airport fuelling facility will Although some preliminary be taken over from BP and results may be available by Caltex by the end of the year— August, detailed interpretation although some accommodation will take until the end of the may be made for certain pro-

### STRUCTURE OF THE OIL INDUSTRY

Chairman: The Prime Minister Members: Ministers of Foreign Affairs, Development and Industry, Finance and National Economy, Works Power and Water, Labour and Social

Ministry of Development and Industry Co-ordination of company activities

Bahrain National Oil Company (Banoce) 100% Bahrain Government
Oil exploration and production, local and international
marketing (to include aviation fuel from end 1983)

Bahrain Petroleum Company BSC Closed (Bapco) 60% Bahrain Government. 40% Caltex Corpn. Oil refining

Bahrain National Gas Company (Banagas) Established 1979 75% Bahrain Government. 121% Caltex. 121% Apicorp-Arab Petroleum Investment Corpn. Gas liquefaction—propane, butane and naphtha, i.e., NGLs

Caltex Bahrain

100% Caltex Corpn.

Operates Caltex stake in refinery, provides manpower and technical services to Baneco and Bapco, markets Caltex products

Heavy Oil Conversion Company (HOCC) Not operating—see new industries article

Gulf Petrochemical Industries Company (GPIC) Not operating—see new industries article

oil and gas-bearing structure, but if the seismic indications are negative at least Banoco could be saved \$30m or so on a deeper-than-ever dry hole. Offshore, results are still awaited from a \$15m Western awaited from a \$15m Western Geophysical survey which covered almost the whole of the marine concession area except the 2,000 sq km still (fruit-lessly) held by a consortium of U.S. exploration companies, led by Union Texas. Cautiously, Mr Shirawi says the picture is "a little less gloomy" than before, but he has never pinned his hopes on more than a few pockets of oll which might have been missed by earlier test wells.

Established 1981

only conclusive proof of an Company was left headless by the departure of Hassan Fakhro, following a serious personality clash.

This arrangement is expected to last much than a year, but meanwhile one can have some sympathy with the two companies' Vicethe two companies' Vice-Chairman who have been pro-pelled into a management and administrative role. Both are senior civil servants, who will not be allowed to make the policy decisions (since that is the prerogative of the Supreme
Oil Council) and do not have
the industrial background to
make the operational ones.
The Bahrain National Gas
Commany (Rangons) in which

pockets of oil which might have been missed by earlier test wells.

In addition to his functions as chairman of Bapco, the Supreme Oil Council has entrusted the Development Minister with the responsibilities of Chairman and Managing Director of Bancoo, which like the National Gas

The Bahrain National Gas Company (Banagas), in which Caltex and the pan-Arab owned Arab Petroleum Investment Corporation each have a 12i per cent equity stake, was established in 1979 to produce nautral gas liquids from the 120m standard cu ft a day of associated gas which was previously vented. The lique-

CONTINUED ON NEXT PAGE

# Refinery plans aim to look beyond pricing crisis

There was clearly a crisis of confidence in the oil-fuelled economy, as the Opec price debate dragged on and the international press speculated on a \$25 barrel. People worried particularly over future revenues from the offshore Abu Safa oilfield, which is shared with Saudi Arabia and which for past four years has been worth more to Bahrain than its own dwindling oil resources. own dwindling oil resources.

mer lear

Nan E

To add to the apprehension, the temporary closure of the Arabia-Bahrain pipeline left the Bahrain Petroleum Company's (Bapco's) 250,000 barrels a day (Bapco's) 250,000 barrels a day legal history of the Gulf states, (b/d) refinery operating at only notes that thereafter "the idea 20 per cent of capacity and raised the spectre of a total shutdown, with 3,400 Bahraini graphical division seemed to refinery employees out of work.

At the Middle East Oil Show in March, visiting oilmen were another discussions of Center will openly discussing a Caltex pull-out from the joint-venture refining company, since there could be no profit in paying 40 per cent of the overheads while

running no crude.

The Bahrain Government, which since July 1980 has been a 60 per cent shareholder in which now lies exclusively the refinery, was then processing only the 43,000 b/d available from the Bahrain field. In When oil was discovered in the depressed state of the petro-leum products market, Saudi reum products market, saudi Arameo as operating company crude was too expensive and there were strong political arguments against buying cheaper of its concession, so Bahrain alternatives, although Caltex initially benefited from only a flirted with the idea of seeking quarter share—but this was supplies from Egypt and Oman.

#### Reassurance

Government officials were quick to offier reassurance. The Arabia-Bahrain pipeline was reopened for two or three days. (which gave rise to speculation about concessionary prices in advance of the OPEC reducwent to Riyadh for talks with

He returned with a pledge ing to their market requirements production from Abu Safa would be protected, even though Saudi production as a whole had Arabia, as a result of the underfallen below one-third of capa-city. This means that Bahrain can count on at least 50,000 b/d, perhaps as much as 65,000 b/d given peak production, although perhaps as much as 65,000 b/d, would utilise spare capacity and given peak production, although the value per barrel will have dropped by 15 per cent in line with official prices.

The medium grade Abu Safa

crude is not as commercially attractive as Arabian Light, so from an economic point of view it would have been logical to behalf cut production but maintain ment. payments to Bahrain on an ex

PUBLIC ANXIETY over the state of the oil market caused a slide in local share prices earlier this year. The rush to turn stocks into cash had nothing to do with the Bahraini industry are aware of the back-companies, performance, since

companies' performance, since the publicly-quoted banks and insurance companies reported better-than-ever results and paid boundaries, the rulers of handsome dividends, while the need of the few investors to meet post-dated cheque commitments incurred on Kuwait's Fasht Abu Safa, some 40 miles from their northern coastline. In 1941 Shaikh Hamed bin Isa granted the Bahrain petroleum Company (Bapco) exploration of rights there have been supported to the coafidence in the oil-fuelled company (Bapco) exploration of rights there have not the back-ground to it. In the absence until 25 years ago of clearly defined territorial boundaries, the rulers of Bahrain traditionally claimed sovereignty over a disputed shallow water area known as from their northern coastline. In 1941 Shaikh Hamed bin Isa granted the Bahrain Petroleum Company (Bapco) exploration of rights there have no the back-ground to it. In 1941 Shrikh Hamed bin Isa granted the Bahrain Petroleum Company (Bapco) exploration rights there, but work was held up until the end of the war-and then suspended in response to Saudi objections, pending settlement of the

Demarcation

Negotiations in 1954 resulted a Saudi acceptance in principle for a Bahraini proposal to tex running 80,000 b/d of Saudi tex running 80,000 b/d tex running 80,000 b/d tex running 80,000 b/d of Saudi tex running 80,000 b/d of Saudi tex running 80,000 b/d tex r in Saudi acceptance in principle of a Bahraini proposal to divide Fasht Abu Safa, but at a subsequent conference in Dammam differences erose over the demarcaction line. Dr Husain Al Baharna, in his authoritative legal history of the Gulf states,

appeal to both governments."
In 1958, the then Ruler of Bahrain, Shaikh Salman bin Hamed, met King Saud bin Abdulaziz and agreed to relinquish his claim to Fasht Abu Safa in return for an undertaking "to grant Bahrain one-half of net oil revenue accruing to the Saudi Govern. accruing to the Saudi Govern-

commercial quantities in 1965, Arameo as operating company was still entitled to 50 per cent quarter share—but this was increased by decree of King raisal, in a gesture of goodwill which has set the pattern of relations between the two countries ever since.

There is no question of Bahrain's share of oil from Abu Safa feeding the refinery, since the transaction is purely financial. The Saudi crude advance of the OPEC reductions, which is pumped through the nation plants, tions), and the Prime Minister Arabia-Bahrain pipeline is Mr Shirawi does not went to Rivadh for talks with purchased commercially by the standing reached a few weeks ago with King Fahd. This is an attractive concept which

cult to sell petroleum products at economic prices. The new year started on a high note with

throughput of 211,000 b/d in January, but February saw a disastrous 66,000 b/d average and March was only up to 27,000 b/d

crude at peak and the Government 60,000 b/d, in addition to

moment we have a crisis, and in a crisis I do not take deci-

sions. Let the cassis become a problem and then we will try to

solve it." He is more in favour of a sound five-year strategy

than of short-term solutions.
Refinery capacity around the
Guif will more than double over

the next five years, unless there are serious cutbacks. According

to the Opec bulletin, installed capacity among the six Gulf

Co-operation Council states currently totals 1.8m b/d, much of

it serving domestic needs.

87.000 b/d.

crude in the 1960s, but the after \$24—which must be the waxy, light (39 API) Bombay High presents some new processing challenges. Opinion is divided on the wisdom of processing crude cheaply for a competitor, for the sake of alleviating a temporary cost crisis; on the other hand there are plenty of other distressed refineries which would do the job, if Bapco declined ät.

The record crude runs of 1961, averaging 259,000 b/d, dropped to 197,000 b/d in 1982 as it became increasingly difficult to sell petroleum products

To assist in devising a viable

To assist in devising a viable long-term strategy, Bapco has commissioned a study team to scrutinise every aspect of the refinery operation. It will re-port on the management steps to be taken and the investment required to support whatever throughput level is appropriate changing

A vital objective of the team's work will be a further reduc-tion per barrel in manpower and service costs, although economies last year already the Bahrain crude.

What is needed now is a period of price stability to enable the shareholders to take achieved savings of 15 per cent. (It was unfortunate that the launch of a Cash Flow Improvement Programme coinci a long-term view of the re-finery's viability. Mr Yousuf Shirawi, the Chairman of Bapco and Bahrain's Minister for Development and Industry, commented in March: "At the ded with the issue of new cars to company executives, so that CFIP was promptly translated as Cars For Important People.)

#### Product mix

Products manufactured at the refinery in 1982 included 7.9m barrels of naphtha, 10m of gasoline, 2.7m of kerosene, 8.3m of aviation turbine fuel, 19.5m of diesel, 19.9m of fuel oil and 1.8m of asphalt. Fuel oil and asphalt accounted for 31 per cent of the total.

One of the options would be to reduce the range of products and run the refinery at 175,000 b/d instead of at its rated capa-Another 1.9m b/d now being installed or planned will produce much bigger volumes for export, and these products will be sold in the markets traditionally served by Bahrain.

Meanwhile regional states are becoming self-sufficient; in the UAE, for example, there is no longer a market for Bapen's city. Above 200,000 b/d the process is less efficient and results in a higher percentage of low-value fuel oil, although the introduction of advanced technology aims to achieve maximum recovery of light products.

A \$7.8m revamp on the Fluid Catalytic Cracking Unit was completed last year, and a new longer a market for Bapco's fuel all since the opening of the Ruwais refinery and the development of gas resources to reactor and vacuum column for the Light Isomate Production fuel power stations and desali-(LIP) project was due to have been brought on stream this Mr Shirawi does not regard these developments as competitive. "There is a demand for 7m-Sm barrels a day of GCC crude. The philosophy behind the expansion of refinery capaweeks. The LIP project is a development of Bapco and city in this area is to help the economy and 'push the barrel.' We will not have any Chevron Research Company, costing \$32.5m, and the technology is already being copied difficulty in marketing our

In the region as a whole, he chairman, these major invest-in the last decade made us too. tion of a \$4m training centre a similar formula with a 60-day contract starting this month, to process incrementally 20,000 strive, to assess, to cut our expenses—and that is very behalf of the Indian Government.

Comfortable. Now we are particular of the real world, we have to strive, to assess, to cut our expenses—and that is very behalf of the Indian Government.

Comfortable. Now we are particular of the company's countered in a prosperous future, supported by the loyalty of its employees and their ability to stand firm at this critical period for industry in general."

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each year. In 1981, as many as 85 international companies joined the 500 international companies registered in Bahrain. The off-shore banks have

increased to 80 bringing the total number of banks on the island to 200.

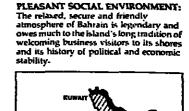
Over the years, estate businessmen have realized that it makes good business sense to cover the whole Middle East from their

The four main reasons for this are: TELECOMMUNICATIONS: Bahrain has excellent world-wide telephone, telex, telegraphy and facsimile links and an international database access service. Direct international subscriber dialling to 48 countries is available.

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the Cour.

Bahrain's modern Mina Sulman port has
14 general cargo berths and 2 container
berths. Last year this port handled 840







If you would like to know more please write to: Ministry of Information, P.O. Box 253, State of Bahrain, Tel: 243311, Telex; 8399 INFORM BN

**Energy** sector

CONTINUED FROM PREVIOUS PAGE

faction plant was built at a well workover programme will

Banoco and Chevron indicates the presence of reserves been let locally. A de-bottle-sufficient to justify an investment of \$20m.

In 1982 Banagas made an operating profit before tax of \$57m and paid a \$31m dividend to shareholders. This compared with a profit of \$66m in 1981.

Oil and gas companies whose profits are not entirely payable to the government are liable to income tax under a 1955 law.

which a \$665,000 contract has been let locally. A de-bottle-necking study completed by McDermott prepares the way for an expansion of capacity if a decision is made to exploit Arab gas reserves before the Supply of associated gas runs down.

Although Banagas is only three years old Bahraini to the government are liable to income tax under a 1955 law. to income tax under a 1955 law, which was amended in 1979 to

which was amended in 1979 to bring the rate from a sliding 23 technicians are being scale to a standard 46 per cent. Banagas in 1982 processed for export, under a sales agreement with Caltex, L8m net barrels of propane and butane and L14m barrels of naphtha which was routed to the refinery. The dry residue gas supplied 80 per cent of the energy needs of the ALBA powerhouse. Naphtha prices dropped over the year from 75 struction, and the second has at the feasibility study stage a were on average 5 per cent of the limit between the latest latest off into light distillates. supplied 80 per cent of the energy needs of the ALBA has a twin methanol and powerhouse. Naphtha prices dropped over the year from 75 cents a gallon to 64 cents, and were on average 5 per cent below the 1981 level. But propane and butane prices firmed by year-end, with propane at \$270 a metric ton and butane \$250 The unward trend has the feasibility study stage a project to refine residual fuel to light distillates.

The only "independent" is \$270 a metric ton and butane to look after Caltex Corporation's country interest in Ranco

continued into 1983.

Budgeted liquid volumes for 1983 are about the same as last year. Despite the loss of some 20 meter of gas, Banoco's oil-

cost of \$100m and achieved full progressively prevent bypassing payback 18 months after going of injection gas and Banagas on stream.

The depletion of all courses will get a richer feedstock to

payback 18 months after going on stream.

The depletion of oil reserves gives the Banagas project a limited life, although associated gas is expected to be available in economic quantities for another 15 years. There are no plans to top up with dry Khuff gas, which contains only minor quantities of the major NGLs, propane and butane.

However, Banagas is now hoping to use the remaining Arab zone gas if a study by Banoco and Chevron indicates the presence of reserves the single property of injection gas and banagas will get a richer feedstock to compensate for reduction in volume.

During 1982 Banagas had its first major shutdown to modify the plant safety system, although the company's excellent safety record won a Royal Society for the Prevention of Accidents silver award. New developments for this year include the first phase of a ring main system linking the presence of reserves been let locally. A de-bottle-necking study completed by a reparate the way

Although Banagas is only three years old Bahraini nationals make up 65 per cent of the 190-strong workforce, while 38 academic trainess and 23 technicians are being

below the 1981 level. But propane and butane prices firmed by year-end, with propane at \$270 a metric ton and butane \$260. The upward trend has tion's equity interest in Bapco and to provide manpower and to provide manpowe

Mary Frings

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Initial Paid up Capital \$180,000,000 · 1982 Net Profit \$24,940.000

Comment of the state of the sta

### BAHRAIN VI

			BAH	RAIN OF	FSHORE B	ANKING UNITS	<b>;</b>		_	
				(U.S. \$m) —	- Geographical	classification	7747	BILITI	P.S	
	Arab Countries	North American	SSETS Western Europe	Offshore Centres*	Other	Arab Countries	North American	Western	Offshore Centres*	Other
1976	2,487	13	1,129	1.241	1,344	2,578	214	2,277	923	222
	7,065	468	3,904	1,888	2,376	8.255	419	4,995	1,539	493
1977	11,688	277	5.301	2,971	3,204	11,666	1,891	7,018	1,850	1,016
1978			6.917	2.243	3,388	16,143	828	7,873	1,936	984
1979	14,739	477								1,222
1980	19,770	641	9,764	2,538	4,753	24,236	358	9,311	2,339	
1981	24,823	1,003	13,257	3,857	7,794	34,075	700	11,101	2,905	1,953
1982	28,994	1,431	14,320	4,654	9,608	39,457	1,287	12,297	4,370	1,596

Bahamas, Hong Kong, Singapore, Lebanon.

### Period of rapid expansion in offshore banking ends

SEVEN fully licensed offshore banks opened in Bahrain during 1982. The same number came in those banks which have yet to take up their licences (such as Artoc Trust and Banking) it would be surprising if there were as many newcomers this

"I will not say that we are having a moratorium on new off-shore banks because that would not be strictly true," says Shalkh Ebrahim bin Khalila Al Shaikh Foranim on Khalifa Ai Khalifa, the assistant to the Governor of the Bahrain Monetary Agency (BMA). "But we are looking more carefully at the situat's n." His remarks show caution rather than out-

With the growing number of interrational debt rescheduling exercises, particularly for Latin America, on the one hand, and the contraction in the spending power of Arab oil producers, on the other, the rest of 1983 could be a watershed for Bahrain's offshore banking industry.

There is no sense of crisis. and most of the 72 Offshore Banking Units (OBU's) active in 1982 (out of 77 which have been awarded licences) appear to have made profits. Business, however, is slowing down, and the next few months will be a time of consolidation rather than of further growth,

Assets and ,liabilities for March, the latest month for which figures are available, stood at \$56.1bn. This represented a continuation of the last August, punctuated only by a rise from \$57.3bn to \$59bn in December, as a result of end-ofyear "window dressing." On an annual basis, the growth rate of the offshore market slowed to

national outlook were regional economic uncertainties and

Allied to the poor inter-

Arabian Monetary Agency margins, it would become much (SAMA) guidelines were cheaper for private sector conquickly circulating in Bahrain, cerns to borrow within the

year plan over six years was welcomed by the private sector.

Merchants say they prefer steady growth to spurts of ex-pansion which leave their com-

by the Bahmin/Saudi cromsed by the Bahmin/Saudi causeway. So far, the commercial com-munity can only speculate on the possible economic impact of Bahrain suddenly becoming

but all agree that the effects will be major and mostly

There is still much discussion

There is still much discussion in Bahrain about which way the trade patterns will develop when the causeway is opened in 1986. The island's port, Mina Sulman is naturally hoping that traffic for Saudi Arabia will come into Bahrain and be transported to the mainland by learn

ported to the mainland by lorry. Indeed, the port is going ahead

with a plan to convert additional berths to container traffic in order to continue to attract major shipping lines.

Others, in the merchant community, speculate that the traffic will be in the reverse direction, from Saudi Arabia to Bahrain, and that because

the causeway will provide a direct connection to Europe, prices in Bahrain will fall.

The human traffic is un-doubtedly going to be flowing into Bahrain. The island's

hoteliers are licking their lips

beneficial.

steady growth to spurts of expansion which leave their companies over-sized and ill-geared to cope with slumps. Most concede that the present building boom is likely to tail off within the next 18 months or two years, but in the meantime, no one is grumbling.

In the medium-term future is the unknown bonanza promised by the Bahrain/Saudi causeway.

attached to the Saudi mainland, but all agree that the effects on either side. Many Bahranes on either side.

What SAMA actually said sounded innocent enough: that Saudi banks should seek permission before inviting foreign banks to participate in Saudi rival syndications, or before themselves participating in any syndication arranged offshore. But how readily permission would be given-and whether the guidelines represented the tip of a far more dangerous iceberg—were topics of anxious

As yet, there are no restric-tions on the availability of offshore rivals and direct lending to clients based in the Kingdom has not been affected. Nor have syndicated facilities bankers feel they can live with them mainly as a reflection of to prevent the development of a Euro-riyal market and to curb the outflow of funds from the

#### Indigenous

They believe SAMA also seeks to encourage Saudi domestic banks to take on more loan business, instead of letting it go to the "suitcase bankers" from Bahrain, who have been aggressively marketing their speedier and more sophisticated services. On the other hand, it is pointed out that the ability both indigenous and Saudiised banks operating within the Kingdom to meet the whole of Saudi-related borrowing requirement is governed by capital limitations, reserve requirements and the prudent disposition of risk

One European banker says: "There is still enough business in the Kingdom for Bahrain banks. The measures were not directed against the offshore 16 per cent in 1982, compared with 35 per cent a year earlier. being internationalised," More serious could be a deci-

sion by Saudi Arabia's Ministry of Finance to apply in a system-atic way the existing provisions and foreign exchange. the continuing hostilities between Iraq and Iran, and the Israel invasion of Lebanon.

Offshore bankers faced a rumoured, without any serious more specific problem when practical effect. But if Bahrain Saudi Arabia last January banks were forced to put up announced restrictions on syndicated lending in rivals. Unofficial translations of the Saudi protect their already fine profit Arabia.

Traders bullish about

business prospects

moment, it is still unclear what the Saudis will decide about visa regulations and security checks. According to G.C.C. rules, Bahrainis and Saudis will be able to pass freely, but expatriates will still be prevented from making casual visits to Bahrain because of exit permit requirements. There will be no question of popping over to Bahrain for a drink and dinner. Surprisingly enough, there

highly discreet in their enjoy-The causeway will also encourage a strengthening of the commercial and industrial

have already consolidated those ties through marriage to Saudis and many are in partnerships in

and many are in partnerships in industrial ventures either in Bahrain or on the mainland. Such ventures are likely to blossom under the new G.C.C. tariff system, which provides free access to all Gulf markets for industrial goods which have been partially assembled in a member state.

Bahrain is still negotiating with its Gulf brothers about customs duties. For Bahrain,

customs revenue constitutes about 15-18 per cent of total government income but for other states the taxation of imports is burely a necessity at all. Bahrain has recently been increasing its customs duties there are a necessity at all.

duties—there was a new 20 per cent ax applied on all car imports in February. On other goods such as cigarettes and alcohol (which attracts a 100

member state.

Some bankers are slightly In the banks balance abeets worside. One leading feature at all count as an american banker save with American banker says: "We deal with withholding taxes all

Saudi Arabia does not represent the be-all and end-all of Bahrain's offshore banking industry but it is clearly important. Overall, 49 per cent of assets were invested in Arab countries at the end of last year. Saudi Arabia would account for a large share of

Close on 67 per cent of liabilities were outstanding to Arab countries. Again, deposits from Saudi Arabia must have played

the system, amounting to areas such as the Asia-Pacific, \$10.5bn, is a measure of and a moratorium as the Asia-Pacific, Bahrain's success in war-like

Bankers in Bahrain, insofar as they admit to some concern seem less worried about Saudi Arabia than about the world picture generally. One Arab banker says: "Even the very big banks are being conservative about the credit lines they are sending this way.

Contrary to widespread belief Since its inception in 1975 the offshore industry has been funded primarily by private sector liquidity, although there has been some investment by

in for letters of credit and guarantee bonds in a big way. everything from direct loans to package facilities to syndica-

Loans not related to regional business are not infrequently booked through Bahrain booked through Bahrain because of its tax free status Guarantees for contractors involved in development projects

The causeway is also expected to stimulate interest by Saudi nationals in buying property on the island. Saudis and Kuwaitis have for a long time been allowed to acquire land, and such is the extent of

are a good source of fee income.

The charm of these arrangements is that the banks are rarely required to put up any money unless contractors

such arrangements, if they feature at all, count as con-tingent liabilities.

The interbank money market around the world, we could has not grown as big in abso-cope with one here." lute terms as some bankers Saudi Arabia does not repre- thought it would, although the BMA's December bulletin shows that at year-end over two-thirds of the OBUs' business was interbank. On the assets side interbank funds added up to \$39.5bn out of a second to \$39.5bn out of a \$59bn total, while on the liabilities side they amounted to \$41bn. business was with banks outside

Bahrain, Given the international econ foreseeable future is likely to \$10.5bn, is a measure of and a moratonium on the type Bahrain's success in recycling Arab funds outside the region and particularly to the Third World,

Bahrain, insofar at the Assartable, and a moratonium on the type of large-scale sovereign lending in which Arab Banking Corporation (ABC) and Gulf Intermational Bank (GIB) have bitherto specialised.

### **Participation**

Several Bahrain banks have opened branches in Singapore or Hong Kong, and the Asia-Pacific region is attracting increasing attention, Kuwait Asia Bank was set up last year Contrary to widespress specifically to develop unsures repository for the petrodollars opportunities in this fast-carned by Arab oil producers. growing area, and has invested growing area. Equity participations under-taken in 1982 included a 49.9 per cent interest in a joint investment venture (Australasia government agencies from Investment Company) incor-Saudi Arabia and elsewhere. porated in New Zealand.

The BMA says the offshore banks do not have any basic of Bahrain recently arranged a hutter business, \$25m syndicated facility to provide working capital for a South Korean contractor, ICC Construction, in connection pipeline in Australia.

Only one Japanese bank has in Bahrain. Although there are three investment securities dealing operations and 17 representative offices. Some long standing Bahrain bankers had been expecting the Japanese to make an onslaught on the regional market. Although there is some regional involvement, most Japanese concerns seem to be primarily involved in raising funds for projects back at home,

funds for projects back at home, or even for head offices.

The funding opportunities Bahrain offers is certainly attractive to banks from developing countries. Mr Pedro Cuddell, the general manger of Banco de Estado de Sao Paulo, reckons most of his business is now concerned with lending back in Latin America.

The overall picture is thus one of a tighter leaner year. Most OBU's seemed to emerge from 1982 in reasonable shape. IN A state which is supposed to be feeling the effects of an oil price slump, Bahrain's merchant community is surprisingly bullish about business prospects at the moment, it is still unclear what the Saudis will decide about the Saudis will be saudis will decide about the Saudis will decide about the Saud

lapse.
While BMA officials are not

rime been allowed to acquire land, and such is the extent of their punchases, that some circles are already concerned that they have been too much. The Assistant Under-Secretary for Commerce, Hassan al Nusar, says that at the moment, the proportion of land held by other Arabitans is not wornying, but that action may be taken to prevent speculators moving in and disrupting land values. "This sector has to be organised before the causeway opens," declares Nusuf.

Liocal menthants say that Behrainfs are unikely to go on a sedding spree to Saudis eager to build their own weekend villas on the Island. "Those CONTINUED ON NEXT PAGE

While BMA officials are not expecting any serious problems they, like OBU general managers, agree that there could be some departures as well as a lack of new banks coming along. In the harsher environment of 1983 the opportunities do not exist on the scale hitherto.

One U.S. banker was relaxed about the prospect of some banks scaling down their operations or leaving. Banks of specific reasons. If it is a mature banking and financial centre, there is no reason why banks should not come and go. After all they come and go from Loudon or New York, if it does not suit their interests to stay. Why not Bahrain."

Stewart Dalby

至 5-

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### National banks dominate the domestic market

Apart from the special category Bahrain Islamic Bank, which has so far remained on the sidelines, only Bank of Bahrain and Kuwait (BBK), National Bank of Bahrain (NBB) and Al Ahli Commercial (NBB) and Al Anii Commercial Bank are permitted to handle subscriptions to new share issues—whether for Bahraini or offshore public shareholding companies—and to arrange seven-day credit facilities for subscribers,

The banks reaped considerable rewards from these activities in 1979 and 1980, but last year there were five heavily over-subscribed offshore issues and the takings were enormous; in the case of Al Ahli Commercial Bank, more than four times the ordinary income.

four times the ordinary income. BBK declared extra-ordinary earnings of \$44m, together with income from operations (consolidated) of \$34.6m. A little more may have been "hidden" in inner reserves. NBB's \$24m share of the windfall was less than half its operational income of \$51.5m, whereas at Al Abli Bank ordinary income of \$4m was dwarfed by share issue profits of \$18.7m.

"Oh yes, we made a lot of

"Oh yes, we made a lot of money from the share floats," says Mr Gregg Krikorian, the general manager of Al Ahli, grinning broadly. "But there will be no repetition this year, that is why we have separated out exceptional profits in our annual report."

or syndian

Following the collapse of Kuwait's Suq Al Manakh, where most of the Bahrain offshore "Exempt" Company (EC) shares were traded, the climate has turned against the flotation of new companies. There are unlikely to be any further flotaunlikely to be any further flota-tions this year, although the establishment of a well-ordered stock exchange in Bahrain could put new life into the

market. International consultants are directed to agriculture. International consultants are at present drawing up guidelines for the establishment of an official stock exchange, probably by the beginning of 1984.

Meanwhile, many of the independent Bahraini stockhrokers less of a problem since dollar who opened shops in the boom period have closed them again, and deals are concluded either the state of the banking system the deals are concluded either the state of the banking system the deals are concluded either the state of the banking system the deals are concluded either the state of the and deals are concluded either Within the banking sy remain, by private treaty or under which local banks may

commercial banks made record windfall profits in 1982, to boost their already healthy earnings from routine operations, while the 15 foreign banks in the domestic market had to work harder for an increasingly small shere of the cake.

occasionally through the banks.

The annual reports of BBK and NBB present a set of figures different from those published on the commercial banks by the Bahrain Monetary Agency (BMA). This is because they each have an offshore banking unit (though it is run more as The annual reports of BBK and NBB present a set of figures different from those published on the commercial banks by the Bahrain Monetary Agency (BMA). This is because they each have an offshore banking unit (though it is run more as an international division of the main bank than as a separate entity) and an overseas branch—BBK in Kuwait and NBB in Abu Dhabi—and the results of abu Dhabi—and the results of the con-

all three operations are con-solidated. The BMA on the

solidated. The BMA on the other hand strips out non-domestic activities.
Even in the BMA figures the national banks hold a dominant position in the market, with 59 per cent of the aggregate assets and 66 per cent of ordinary profits. Branches of foreign banks are excluded not only from the share issue bonanza, but from participation in guarantee and bonding business for government supply and construction contracts. Neverthestruction contracts. Nevertheless many of them have been in Bahrain a long time (more than 60 years in the case of Chartered Bank) and have a loyal following following.

#### Traditional

Chartered (formerly the Eastern Bank) and British Bank of the Middle East (BBMB) have traditionaly run a retail business catering for hundreds of small depositors, while Chase and Citibank are oriented more to the wholesale market. In between are the "remittance" banks and others serving specific national groups, from whom they draw most of their customer deposits. Economic activity was main-

tained at a healthy level in 1982, before dropping oil prices began to have an effect. The GNP growth rate was estimated at 8 per cent, and domestic bank lending rose by 15 per cent over 1981. Trade financing accounted for over 30 per cent of lending, a little less went to the construction sector, and 20 per cent was classified as "per-sonal". Manufacturing accounted for only 6.8 per cent, while a minimal 0.2 per cent was

through the few brokers who BMA offers a swap facility,

### BAHRAIN VII

COMMERCIAL BANKS RANKED BY SIZE OF ASSETS Figures in BD m (BD 0.377=\$1)

	exc!,			Customer	profit
	contra	Contra	Louns	deposits	1982
Bank of Bahrain & Kuwait ,	269	<b>\$</b> 5	156	153	5
National Bank of Bahrain	258	190	112	181	11
Chartered Bank†	143	18	79	130	Ž
Al Ahli Commercial Bank	116	27	79	81	2
British Bank of the Middle East;	93	27	49	85	ī
Bank Melli Iran	. 35	0.I	27	8	ī
United Bank	31	9	13	28	0.8
Habib Bank†	25	2	8	22	0.2
Banque Paribas†	20	18	16	7	9.4
Arab Bankt		5	7	14	0.2
Citibank?	15	6	2	12	0.4
National Bank of Abn Dhabit	14	4	10	10	0.1
Bank Saderat Irant	12	0.3	11	3	0.2
Grindlays Bankt	11	6	8	5	0.3
Algemene Bank Nederlandt	10	6	7	7	0.3
Bafidain Bank		2	6	2	0.5
Banque du Caire	4	2	2	. 3	0.2
Chase Manhattan Banki	3	39	2	2	8.5

† Not including OBU's or overseas branches.

swap dollars for dinars at a concessionary rate of interest, providing the dinars are needed for genuine commercial lending in Bahrain.

Secondly, and probably more importantly, and propanty more importantly, the BMA has sanc-tioned the issue of negotiable certificates of deposit (CDs) at more attractive interest rates ary fixed deposits. The Government has been anxious to keep ordinary deposit rates low, so that in turn local lending will not carry punitive rates of interest. The deposit rate celling ranges from 61 per cent ing ranges from 61 per cent for one month money to 81 per cent for 15 months.

However, CDs in initial lots of BD 30,000 and then in multiples of BD 10,000, were at one time last year carrying rates of up to 131 per cent; against 18 to 19 per cent on comparable dollar-denominated notes in New York. Even at this level the Bahrain rate was not enough to prevent an outflow of

But an extra 2 or 3 per cent obtainable on dollars is not normally enough to compen-sate for the cost of switching currencies and the exchange risk, although the latter is small. The BMA selling rate for the dollar has been fixed at 377 fils since 1980. Any change in parity is likely to be in favour of the dinar,

There appears to be little secondary market in CDs locally, so that word negotiable is something of a misnomer. The CDs are more like term deposits. However, they seem to have helped to retain liquidity in Bahrain.

ment deposits) rose from BD 541.1m to BD 687.3m (an increase of 27 per cent), while deposits in foreign currency fell 15 per cent from BD 233.5m to BD 198.5m.

The economic outlook for the current year is reasonable enough. Despite the pressure on oil revenues the Bahrain Government has not cancelled the local construction market.

#### Limited

One leading banker said:
"You can expect that the fouryear plan development plan haunched in 1982 will become

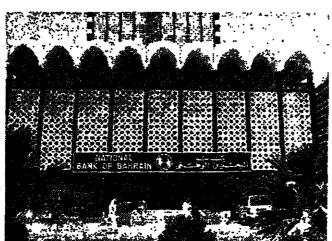
a six-year plan."
However, with the economy slowing down as the region becomes less prosperous because of falling oil prices, the difficulties of finding loan business in a limited market might start to reak thereafter that is 1004 to make themselves felt in 1984 While 40 per cent of NBB's bosi ness is non-domestic the smaller and younger Al Ahii Bank finds

and younger Al Ami Bank finds only 20 per cent of its business outside Bahrain, and that is mostly regional.

Mr Krikorian is not too wortied. Although things could get tougher in 1984, "the world. could come out of recession by then."

Another banker says: "There are too many banks in Bahrair competing for limited business There are after all only 350,000 people here. But then the whole world is over-banked; it is a question of being competitive and innovative."

Stewart Dalby



The headquarters of the National Bank of Bahrain in Government Road, Manama. The National Bank is the oldest of the wholly Bahraini-owned banks on the island.

### Traders' prospects

CONTINUED FROM PREVIOUS PAGE

to sell much more, but if we do, we will benefit from higher land waites," said one businessman.

Bairrain is currently experion a completely equal footing on a completely equal footing with nationals from that country, the property market, and local real estate agents say that will a prices are coming down.

Luxury four-bedroom villes, which only a few months ago would have been left for between BD 1,500 and BD 2,000 a month, have row come down by about \$5 and \$

Office accommodation in contrast is firming, but faces a softening at the beginning of 1985 by which time most of the 10 to 12 buildings planned for the Diplomatic area will have been completed. By that time, the property market will be reacting to the imminent completion of the causeway, and though no major tourist or residential developments have emerged yet, over the next year or two, a number of large projects are expected.

Baraini merchants are still very much trade orientated, and by their own admission conservative in the development of their businesses. Traditional families like the Yattims say they prefer to stick the face of the proposed stock exchange. The exchange will be established by the exchange of the exchange will be administered by a regulatory body. "We have learnt the lessons of Kuwait," says the Commerce Secretary, Hassan al Nusuf, "and trading by post dated the exception of the imminent completed by the forbidden."

The market will be divided in two. The official Bahrain market will list the 19 Bahrain public companies and will be accessible only to Bahrain public companies and will take on some of the 13 official to the divided on Kuwait's Souq all Manakh exchange. However, there will be careful study beforehand to excess companies. Office accommodation in con-

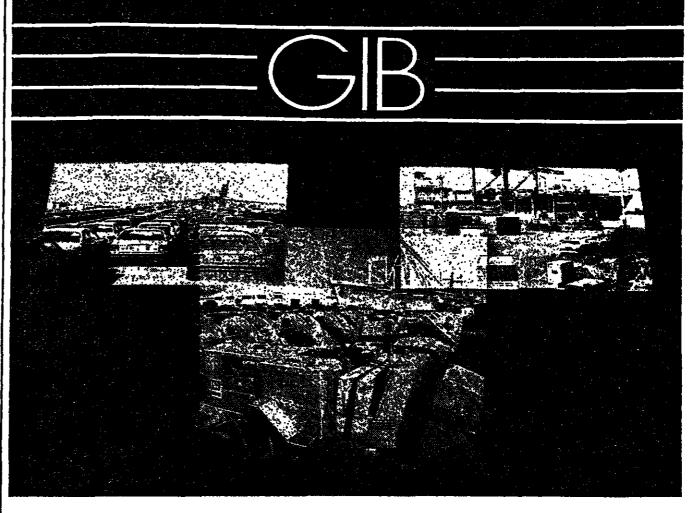
servative in the development of their businesses. Traditional families like the Yattims say they prefer to stick to the home base, rather than spread their wings to other Gulf states, despite the open access which G.C.C. rules now provide. Farouk Almoyyad, head of one trading house, 62ys

who want to sell have already he is now considering participat-sold. The rest of us are unlikely ing in a number of joint ing in a number of joint industrial ventures in Saudi Arabia, but would prefer to deal in a market where he competes

would have been left for between BD 1,500 and BD 2,000 a month, have now come down by about BD 200, Middle management accommodation, of which there is still a shortage, is holding york and Florida, and an investment some include hotels in London, housing in New York and Florida, and an investment company listed on New York stock exchange.

One type of investment activity likely to excite the Bahrainis in future will be trading on the proposed stock

trading on the proposed stock exchange. The exchange will be established by the beginning of next year, and will be adminis-



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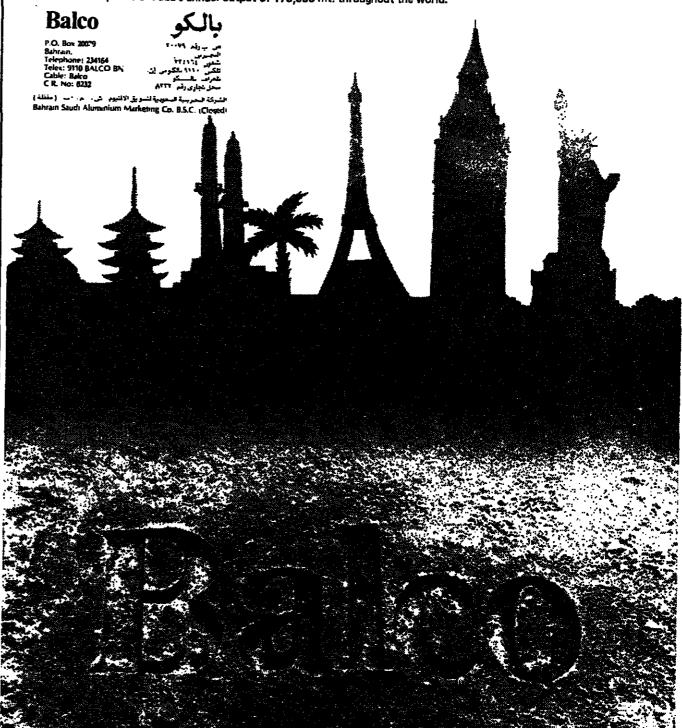
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**TOTAL ASSETS** 

US\$ 500,000.000

US\$ 287,940,273 US\$ 537,084,171

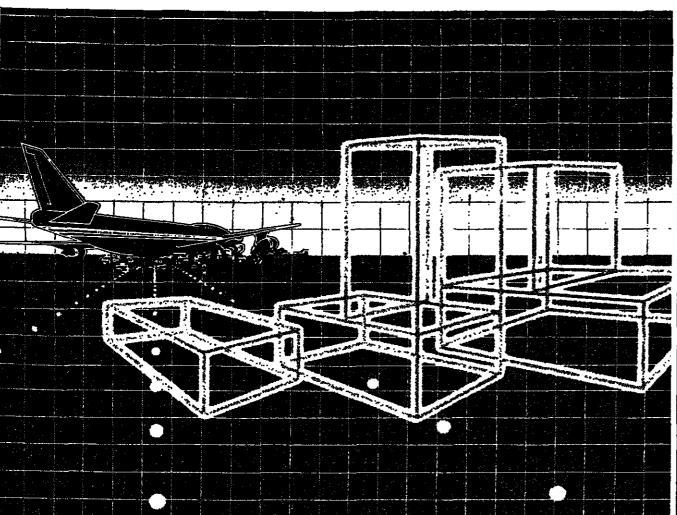
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### How Kuwait investors have influenced the economy

Arab International Develomt. Company \$29.5m \$35m \$2.1m \$7.6m

Arab International Insurance Company \$7.5m \$8.3m \$2.3m \$1.3m

Al-Jazira Contracting and Investment Co. \$72m

Pearl Investment Company

Gulf Investment Company

United Gulf Bank (UGB)

Gulf Union Insurance Company

Gulf Consolidated Services and

Industries Company (GCSI)

Bahrain International Bank (BIB)

Arab Iron and Steel Company (AISCO)

Bahraini Kuwaiti Invstmt. Grp. (BKIG) Bahralu Middle East Bank (BMB)

Arabian Investmt. Bkg. Corp-Investcorp

SMALL INVESTORS in Bah rain may have been hurt, but no one of substance is in serious trouble," said one millionaire local businessman. He was speaking of last summer's Kuwaiti stock market crash and the ripple effect around the Gulf of the fall in share values and the backlog of \$91bn worth of post-dated cheques.

In the autumn, when the business community returned to full ness community returned to full strength after the traditional summer trips abroad, every majlis hummed with gossip on just how many of the cheques had accumulated in Bahrain. The exposure of the businessman quoted was believed to be \$10m, but that was not the sor of information that one could or information that one count ask for directly. A top political figure was said to be holding \$27m worth of post-dated cheques, a banker \$2m to \$3m.

There were no official estimates. The Ministry of Commerce asked cheque-holders to register with it as well as with the Kuwaiti Clearing House, in order to gauge the size of the problem; but since the two institutions were offering no assistance hardly anyone did so.
Unofficial estimates of total
Bahraini holdings of post-dated
cheques swims between \$200m

It is clear that large numbers of Bahraini investors speculated in Gulf shares, either directly on Kuwait's unofficial exchange, the Suq Al Manakh, or through the many local stockbrokers who clustered in Bahrain's Al Jawhara market and other recognised enclaves. While losses were probably not critical, a lot of profits which looked good on paper had evaporated a few months later.

Ironically, the Bahraini domestic stock market suffered a serious reverse about six months after the Suq Al Manakh collapse. The government had urged people to stick to investments in well-established Bahraini companies, but its advice seemed irrelevant when a general mood of pessimism set in from February this year. Concern over external pressures on oil revenues prompted a wave of selling, and the price of one dinar shares in the National Bank of Bahrain - regarded as the bluest of blue chip investments — tumbled from a peak of BD 23.500 to BD 10.

Bahrain was spared a stock market collapse on the Kuwaiti scale partly because the issuing of post-dated cheques is not common practice on the island. except as a method of buying goods by instalment.

### Irrelevant

Legally, shares in Bahraini companies may not be held by non-Bahrainis, but few transactions are registered and purchases are frequently made in other names. So there may be some truth in the rumour that some of the share sold in that some of the shares sold in the Bahrain market were owned by Kuwaitis who needed owned by Kuwaitis who needed full of passports, registered the money to meet post-dated the numbers before returning them to their owners, and then to their owners. The practice was defended on the grounds these possibilities that it cannot the benefit to the one counts these possibilities as more than contributory factors to the fall of share prices.

The sensitive bank shares passport applications. have recovered slightly since the initial plunge, but investors still prefer to be liquid. Some analysts believe the shares are now closer to their proper value, having been unrealistically priced as a result of the cany priced as a result of the scarcity of investment oppor-tunities and of the speculative fever which gripped Bahrain from the beginning of last

The domestic stock market is not the only financial institu-tion in Bahrain that has been

affected by developments in Kuwait during the past year.
Kuwaitis have also had a determining influence on the performance of the shares of Bahraini Exempt Companies— ECs. These are "offshore" companies which are exempt from Bahraini tax and majority national ownership provisions, but are not allowed to do business within the Bahraini

ness within the Bahrain economy.

Kuwaitis have invested heavily in ECs since 1979, partly because of the recession in the Western economies and partly because of the severe restric-tions that have been placed on the floating of new companies in their own state.

In late 1978, just a year after the introduction of the exempt company idea, the Bahraini authorities were persuaded to vary the regulations to permit public ownership in special

Cases.
Over 140 ECs have been established since the beginning of 1978, but only 13 have been allowed to go public. The first of them was indeed rather special: the founders' list for Al Jazira Contracting Company including representatives of every ruling family in the Gulf, headed by Prince Mohammad bin Fahd — the entreprenurial son of the Saudi monarch. But like all but one of its successors (Investourn). Al Jazira is redominantly Kuwaiti-owned. The investor-appeal of new

exempt companies is largely a matter of the personalities involved, rather than what the company proposed to do, and founders' lists were closely its annual accounts has been

scrutinised for the names of successful Kuwaiti entrepre-neurs. It was accepted that shares were offered for public year in Bahrain, instead of in Dubai as originally planned. subscription not because the founders needed to raise funds, but to create new opportunities for trading. Investors tended to be suspicious if the founders

Initially, under Bahraini law, Bahraims could panticipate as founders in exempt companies, but not take part with other Gulf citizens in subscribing to public issues. The restriction was designed to protect the less sophisticated from risk, but reports in 1979 of fortunes made overnight on Pearl and Gulf Investments led to intense public pressure for change, and at the beginning of 1981 it was conceded that as from the start of the next year at least 20 per cent of public issues should be set aside for Bahrainis.

had not put up a majority of the capital themselves.

Al Jazira and Arab International Development came on the scene a little early, before the market took off in 1979. In the boom period prices were doubling every six months and everyone was winning. But Investorp hit the start of the decline in mid-1982, and those who subscribed in the hope of a quick killing had to hold on to their shares, or write off a percentage of their outlay. This was because the heavy over subscription put up the cost of buying each share to six or seven times the issue price. Bahraini nationals who applied for 240,000 shares were allotted

One cost factor—in addition facilities—was the system of buying "names." A ceiling was placed on the number of shares for which each subscriber could apply, so the "head-count" in each share issue included thousands of people who had sold their right to subscribe at anything from \$5 to \$150 per passport. The buyers were speculators who collected writeres. lators who collected suitcases that it spread the benefits to the poorer sections of the com-munity, and the immigration authorities noted an increase in

One of the more risque stories going the rounds was that a batch of passports in for renewal found its way to a share registration office, so that when the owners got the passports back they found their subscrip-tion rights had already been

If they were lucky the big-time subscribers had only to dig into their pockets for 1 per cent of the face value of the shares applied for. Although the BMA required a 5 per cent deposit in cash from the domestic banks handling the issue, and forbade them to lend it to their customer first, suitable interbank arrangements could be made—at a price—with offshore banks. The domestic banks themselves prodomestic banks themselves provided "paper" credit facilities on the other 95 per cent of the shares applied for, at the rate of 12 per cent per annum. They received a further bonus from the BMA, which paid seven days interest on the margin deposit.

The 1982 share issues represented a \$90m bonanza for the three national banks. To avoid the undignified scramble for

three national banks. To avoid the undignified scramble for business seen in 1979, they divided it up on the basis of overall market share, irrespective of how well they did on any particular issue. This reduced the Bank of Bahrain and Kuwait's probable 70 per cent take, but maintained interest rates at a uniform level, to the

rates at a uniform level, to the banks' mutual benefit.

Until the market collapsed, seven or eight of the 13 Bahrain EC's listed in the table were heavily involved in trading on the Manakh and are now country. the Manakh, and are now counting the cost. Loan commitments mg the cost. Loan commitments may have given the three offshore banks (Bahrain International, Bahrain Middle East and United Gulf) some exposure to Kuwait in the normal course of business, but the 
collateral in such cases is 
regarded as good. Investoorp 
has remained totally uninvolved.

volved.

The position of the BahrainiKuwaiti Investment Group is
uncertain, since publication of

delayed. The group was formed almost three years ago but re-structured for registration last

THE BAHRAIN OFFSHORE PUBLIC SHAREHOLDING COMPANIES (E.Cs)

equity 1981

\$150m \$182m \$35m \$34m

\$288m \$380m \$50m \$38m

\$149m \$162m \$24.4m \$3m

\$19m \$20.2m \$3.8m (\$63.000) \$35.6m \$7m

\$146m audited accounts delayed until end June

\$50m t n/a Fiscal year ends December 31 1983

\$200m \$265m \$17.2m \$35.5m -- --

\$9m

\$24m

\$11m

268m

\$127m \$154m \$11m

\$180m \$208m —

\$100m \$111m --

The Bahraini-Kuwaiti Invest-The Bahraini-Kuwaiti Investment Group had been trading for some time, and when its chairman, Hassan Maki Juma, signed for a \$200m loan arranged by the Bank of Bahrain and Kuwait last July he referred to a half-year profit of some \$50m on share and property dealing. Preliminary reports indicate that this had been cut in half by the end of the year by provisions against the year by provisions against losses on post-dated cheques.

#### Depreciation

The published annual reports of the other investment companies make interesting read-ing. Al Jazira, which has changed its company name to incorporate investment as well as contracting, is the only one as contracting is the only one to have written down the unrealised depreciation in value of its investment portfolio against equity, rather than taking it into the profit and loss account. This is why shareholders' equity has fallen below the paid-in capital figure. The provisions taken against The provisions taken against "foreseeable loss on collect ability of notes receivable

(i.e. post-dated cheques) has not been quantified.

Table compiled by Mary Frings

\$140m† \$33m

Gulf Investments set out with administrative the face value of post-dated cheques, the value of those issued by the so-called "troubled debtors" and the provisions taken according to guidelines from the Kuwaiti Chamber of Com-merce and the Ministry of Commerce and Industry in Knwait. GIC's accounts are qualified like most others by the auditors' statement that "the final resolution regarding the above-mentioned notes receivable is not presently determinable." A director of GIC said the company would have to find the cash to pay a 5 per cent dividend, even if it meant borrowing against investments; which should not prove difficult. It has a net worth of \$380m and some prime real estate in Paris and New

The only company to have reported a loss after provisions in respect of both post-dated cheques and investments is Gulf Union Insurance. It is note-worthy that of this company's balance-sheet total of \$53.7m, \$20m is funded by shareholders' equity and \$30m by short-term loans repayable by April this

Mary Frings

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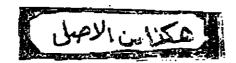
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### Doing business

Finah

### BAHRAIN IX

### How to find the right trade channel

Trading into Bahrain is conducted through a local sole proprietor or Bahraini company appointed as the commercial agent of the foreign principal.

There are few exceptions to the general rule that only Bahraini nationals and whosky Bahraini owned companies may act as commercial agents, but these exceptions have historical roots. The 1975 law on Com-mercial Agencies states that an applicant wishing to be entered on the Commercial Agency's applicant washing to be enterent on the Commercial Agency's Register at the Ministry of Commerce may be a company with 51 per cent Bahnaimi shareholding, but in practice it is no longer possible for Bahraini incorporated com-panies having any foreign shareholders to register as com-

In order to be enforceable a commencial agency agreement must be registered with the Ministry of Commerce and Agriculture. Renewal of an agency agreement must be effected every two years, whether the agency is for a fixed or indefinite term.

Country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the supply of country, such business activities are restricted to the choices of business activities.

The agency agreement itself has two central features: (a) the agent should be the sole agent and (b) the agency should, generally speaking, be direct with the manufacturer of the product and not with an ex-

It is now a requirement that agency agreements should be stamped by the relevant Chamfacturer's country, the Bahrain-Embassy in that country, and the Chamber of Commerce and Industry in Bahrain.

and Agniculture plays on active and Agriculture pary at active note in overseeing trade. White the Ministry tendoubtedly prefers to see agency agreements made subject to Bahraini law it remains possible for an agreement to be registered with a foreign invisitation clause. Arbitration clauses, frequently making the Rules of Concingtion and Arbitration of the International Chamber of Commerce applicable in the event of a dispute, are accept-

Van is

Notwithstanding the inclusion of an erbitestion clause, if both parties to an agency agreement agree in writing, disputes may be decided upon by a threemember committee composed of a representative of the Bahrain Ministry of Commerce and Agriculture, a representative of the Bahrein Chamber of Commerce and Industry, and a local

FOREKGN COMPANIES exam. In the event of a dispute it ining prospects for establishing is frequently the case that the commercial activities in Bahrain overseas principal is seeking to commercial activities in Bahrain have first to decide if their objectives are limited to trading or supplying services into Bahrain or if their choice of Bahrain is for reasons of establishing an office for carrying on business in the region or further afield.

Commercial activities in Bahrain to research principal is seeking to terminate the egency relation, ship. If the local agent agent agency agreement, the foreign company will generally have to (a) pay compensation to the agent for the loss of the agency, (b) repuschase any goods held in stock by the agent agreement. samp. It the focal agent egrees to the termination of the agency agreement, the foreign company will generally have to (a) pay compensation to the agent for the loss of the agency, (b) repurchase any goods held in stock by the agent at cusment market value and (c) satisfy the committee that all obligations (such as current guarantees on goods purchased) created by the old agency agreement are invasioned to any new agent,

The role of the committee is to decide on the amount of compensation, if any, and the repurchase price of the goods

The number of agency disputes appears to be relatively few. The committee established by the Ministry deals with about 15-20 cases a year. There are few reported cases of referral of disputes to the Bahrain Courts or international arbitra-

In the case of foreign companies seeking to establish a physical presence in Bahrain to carry on business in the country, such business activities

There are three recognised types of branch office. The category into which the company falls depends on the service activity which the foreign company intends to carry on.

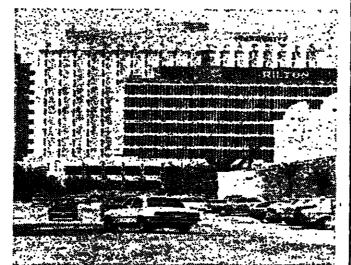
The categories are consultant, porting agent of the manufactor for example architects, enginturer. ment consultants; representa-tive, for example banks, air-lines and manufacturing comber of Commerce in the many- panies (the latter being restricted to the promotion of their products and not selling which as explained is a trading activity); and service com-panies, for example general contractors, electrical contrac-tors and leasing companies.

For a consultant branch office it is not obligatory to have a local sponsor. In both other cases, a sponsor, is necessary, from the applicant's principal bankors. cases a sponsor is necessary. The actual terms of the relationship between the foreign company and the sponsor are a between the parties.

There is very little written law on the subject of sponsor-ship and the obligations of the sponsor. At present the local sponsor is generally not responsible for the activities of the

foreign company.

It has been reported that discussions are being held be-tween the Ministry of Com-merce and Chamber of Commerce on bringing into force regulations that will make the sponsor responsible for the acti-vities of the foreign branch in



The Hilton and the Sheraton—two of Bahrain's leading hotels. In the background on the left is the Bahrain Tower, one of the first of the new generation of high quality office blocks built in the late 1970s.

For the present it remains important that the duties and obligations of the sponsor should be set out clearly in the sponsorship agreement. The foreign company will usually look to the sponsor to provide assistance in such matters as obtaining work permits and re-sidence visas and introducing approval. business connections to the for-

eign company.

In return the foreign company pays the sponsor a fee.

Again the level of remuneration is a matter for negotiation befat fees are perhaps less commonly agreed than a percentage fee based on the yearly gross income or net profit of the branch office.

The sponsorship agreement must be filed with the Ministry must be filed with the Ministry of Commence and Agriculture together with a series of documents, which include notarised and legalised board resolutions of the foreign company to open a branch, a clearance certificate from the local Israel Boycott Office (which in Bahrain is a department of the Ministry of Finance and National Economy). Intest ment of the Ministry of Finance and National Economy), latest accounts, and a "guarantee" from the head office of the foreign company addressed to the Ministry of Commerce undertaking to honour its financial obligations in Bahrain. Each application to open a branch office in Bahrain is subject to the approval of the Ministry of Commerce. Although it is not obligatored if Although it is not obligatory, it would be accurate to state that the Ministry considers more favourable applications from overseas companies able to demonstrate through the provision of accounts and list

### Joint venture

These are registered as local limited liability companies. The principal features of such an entity include a minimum capital of BD 10,000, akinough the Ministry of Commerce does sometimes require that the level of capital be set up at a higher level. The capital has to higher level. The capital has to be paid up in full in cash or riad. It is a requirement of Bahrain law that a limited liability company must have at least 51 per cent of its share capital owned by Bahrainis.

The draft Memorandum of

Association of the limited company has to be submitted to the Ministry of Commerce for approval together with a list of december. approval regener with a list of documents similar to those required for a branch office registration. The draft document will be carefully scrutinised before it obtains its

### Joint venture

partnerships Since 1981 certain professions and practices have been permitted to form joint venture partnerships. The professions include architects, quantity surveyors, chartered accountants and industrial engineering consultants.

In principle there must be a 51 per cent Bahraini share in the capital and operational earnings of the partnership, but in cases where two or more foreign partners, whether individuals or corporations, enter into the partnership the share of the Bahraini partners in the capital and operational earnings may be reduced to not less than 30

In the representative branch office category, banks currently pay BD 250 per annum, manufacturing companies BD 200 and airlines BD 2,000. In the field of construction

"Grade A" contractors pay BD 7,500 per annum while electrical contractors employing over 25 people pay BD 2,000 per

### Exempt companies

The success of Bahrain in establishing itself as the financial and commercial centre for the Gulf has been well recorded The factors which have continued to give Bahrain this pre eminence are many, but undoubtedly significant has been Ministerial Resolution No. 25/1977 which permits the incorporation in Bahrain of companies exempted from certain provisions of the law on joint stock companies.

Perhaps the single important feature of ministerial resolution is that the share capital of an "exempt company" does not have to include any Bahraini owner-

An exempt company is a Bahraini joint stock company which must have its capital office in Bahrain. However it is not allowed to carry on business in Bahrain, as opposed to carry ing on business from Bahrain, without the consent of the Ministry of Commerce. This will be given only in exceptional

The Ministry of Commerce reports that 136 exempt com-panies have been incorporated panies have been incorporated so far and that another 18 applications are under consideration. The Ministry studies each application carefully and what is describes as "brass-plate business" is not permitted. Each avenue command must have exempt company must have a physical presence in Bahrain. The application to the Ministry must include details of the office premises to be leased and the staff to be employed The Ministry will expect the employees to include Bahraini

Upon incorporation BD 2,500 Upon incorporation BU 2,500 is payable to the Ministry as a registration fee and this is renewable every year. Out of the paid-up capital, which must be a minimum of BD 20,000, BD 5,000 has to be deposited with an "approved institution" in Bahrain (in practice the Bahrain Monetary Agency) as a rain Monetary Agency) as a security for the liabilities of the

Exempt company.

Information on each exempt company including the names of the shareholders, their shareholding in the company, details bolding in the company, details of directors and audited accounts are on record at the Ministry, and are available to the public upon application.

The firms included in the growing list of exempt companies are involved in a wide range of activities. These include banking, insurance, and regional support offices for overseas parent companies'

overseas parent companies activities. It should be noted however, that in the case of banks and insurance companies approval from the Bahrain Monetary Agency as well as from the Ministry of Commerce

John Morgan



بنك البدريج والشرف الاوسط (سم Bahrain Middle East Bank (EC)

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# Growing Deposits, Increased Assets, Higher Earnings...

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### UNITED GULF BANK (BSC) EC Consolidated Balance Sheet (Expressed in thousands of US dollars) December 31, 1982 and 1981

Assets		1982		1981
Due from Banks:				
Demand and call deposits	\$	15,306	\$	36,326
Time deposits	•	444,739		190,330
Money market instruments, at cost		117,452		43,506
Investment bonds and securities (Note 2)		29,599		27,949
Loans and advances, net (Note 3)		<b>357</b> ,175		99,630
Investments in real estate (Note 4)		13,591		_
Accrued interest and other assets (Note 5)		30,101		11,930
	\$	1,007,963	\$	409,67
Liabilities and Shareholders' Equity				
Deposits and credit balances:				_
Demand and call	\$	15,623	\$	7,640
Time		709.539		298.961
Accrued Interest and other liabilities		17.944		8.203
Proposed dividends		25,000		11,175
Total flabilities		768,106		325,979
Commitments and contingencies (Note 6)				
Shareholders' equity (Note 7 and 8):				
Share capital: 1,000 million shares authorised, of which 800				
million are issued; stated value \$ .25 per share		200,000		74,500
Statutory reserve		25,936		2,038
General reserve		13,800		6,800
Retained earnings		121		356
otal shareholders' equity		239,857		83,692
			-	409,671

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Westpac Banking Corporation, Singapore Branch Al Saudi Banque, Bahrain Crédit Commercial de France



Kuwait Asia Bank E.C.

Arranged by

National Bank of Bahrain B.S.C.



X

# Fierce competition in building sector

THE BAHRAIN/SAUDI cause brought in from Saudi Arabia One specially built vessel has fixed rates. There is also provided in the struction project under way at engaged on other major protect under way st impact on the general pace

Bahraini merchants grumble about the relative lack of spincost there is little they can do about it. The contractor, Bandar Ballast Nedam, brusdivert queries to a telephone

number in Riyadh. The Bahraini business comrock from a local quarry, a quantity of electric cables and

from overseas, where the com-pany's buying power has secured lower prices.

According to local officials offs generated by the work, but the project is currently running considering that Saudi Arabia on time and within the next few is footing the entire bill for its weeks the laying of the bridge sections is to begin. The contractor's prefabrication yard on Umm Nassan island is well quely refers all enquiries to a advanced with the production head office in Holland, and even of the 584 precast concrete Bahraini Government officials piles needed for the project.

The dimensions of the project are staggering. There will be a 12.5 km dual lane bridge. munity has contracts to provide Some 10m cubic metres of sand fill and 4.5m cubic metres of rock fill will be needed.

food for the labourers. It has been cut out of the major parts of the \$564m project by a clause in Saudi laws that requires foreign contractors to show preference to Saudi companies when selecting subcontractors.

Most of the heavy equipment needed on the project has been shallow water. In parts of the sea covered by the bridge, water depths are as little as one or two metres. This has caused difficulties for the 74 workboats which are being used during construction. A number have had to be purpose-built for the project.

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drafts of up to 4 metres, how-ever, so a considerable amount of dredging has had to be done.

On a project which is as hig

When the project started in September 1981 the contractor had quickly to change the proposed site for the work island and shift the location of the prefabrication yard to the north end of Umm Nassan, after test borings showed that the loca-tion on which the tender was based was unsuitable. There are also bureaucratic problems in securing the necessary permissions for work boats and equipment crossing the international waters between the two

countries. The contract sum is only partly fixed, say reports. Bridges and all temporary works are fixed, all other items are remeasurable, though at

as the causeway and was governments agree on visa and awarded mainly on a fixed price security arrangements design basis, there is little margin for work on two man-made islands delays or mistakes by the conposts capnot go ahead.

#### Tail-off

There is still discussion about whether lorries will be un-loaded and cargo repacked on to smaller vehicles at the frontier areas. The Saudi road system and the causeway itself Japan. is built to take heavier axle loads than the internal Bahraini road system. Bahrain has to choose whether to upgrade its own roads or opt for a transhipment area on the border.

Back on Bahrain island, local contractors are expecting a tail-off in the amount of work avail-able with 18 months or so. Meantime they are jockeying for the 30 or more office blocks for the 30 or more office blocks and government buildings—
and government buildings—
completely unrelated to the causeway—that are already underway or proposed for urban areas. The Diplomatic area alone will have a dozen new office blocks within the next three years or so.

The fierce competition for the contracts on these private sector projects has kept prices down to 1977 levels, say local consultants, and in some cases prices have gone below British

The Housing Ministry is proving a valuable source of work for the smaller local con-tractors. Under a Ministry policy, all major development works are parcelled out to local companies in lots of 100 houses

This year the Housing Ministry has some 3,200 houses under construction as part of the development of Hamad New Town, which when complete will consist of 12,000 houses. Some 8,000 of these will be built directly by the Government and the remainder handed out in the form of gift plots, complete with public utilities and lucrative services, to applicants building region. their own houses. The whole Hamad Town project is costing BD 260m and because the project is already well underway, it is unlikely to be affected by

However, Bahrain still has a waiting list of 6-7,000 applicants

Major parts of the design be built during the 1980s. The work still have to be completed. The planning department of the Until the Saudi and Bahraini Ministry is already studying governments agree on visa and possible locations for another new town, though the go-shead for this project may be affected by budgetary considerations.

The Industrial sector will of course continue to be dominated by the large foreign con-tractors. In mid-May the go-shead was finally given for the aluminium rolling mill, a the aluminium rolling min, a configuration of the first project owned by six governments. The project is to governments. The project is to dominance of prominent personalities in securing contracts.

There are still question marks over the future of the heavy oil conversion project, expected to cost around \$600m. The project envisaged is a hydro-cracking unit which will produce naphtha, kerosine and gasoline. C. E. Lummus Engineering of the U.S. is believed to be working on a number of designs for the three chareholder governments.

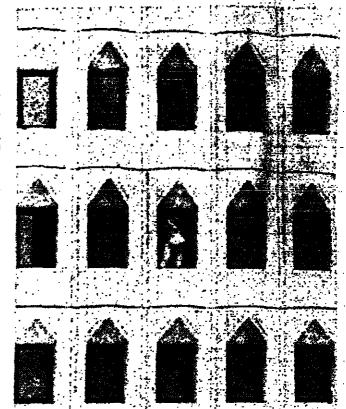
shareholder governments.
In electricity generation the

tion projects in the Gulf area, there is considerable backroom manoeuvring before contracts are awarded. Foreign business circles are still trying to assess whether price or the importance of one's sponsor is the key to success, for there have been a number of occasions when contracts have been continu-ously re-tendered until the right name, or the right price, has

The development of contracting politics has been relatively recent in Bahrain. Business circles suggest that it stems from the relative recession that has come to the market since

professional standards, quote low prices and get the job, normally and above board, without any backstairs juggling. At the moment there is enough work for everyone and it is shared around more or less to the satisfaction of all.

Kathy Evans



The new Finance Ministry nears completion. Meanwhile, local constructors are jockeying for contracts on around 36 office blocks and governmental buildings

### Gulf Air joins fares scramble

share. The decision comes after years of public condemnations and conference resolutions aimed at protecting the Middle East carriers from airlines with fifth freedom traffic rights, These entitle them to carry passengers between cities that are not in their own countries. At times, Gulf Air conducted the battle virtually single handed, for Arab carriers were also indulging in discounting. also indulging in discounting tactics to scoop up part of the lucrative market in the Gulf

In the past 10 years, as Western nations went into recession many carriers previously making technical stops in the Middle East secured traffic rights in order to tap the one market which was showing

phenomenal growth.

Their entry into the Gulf occurred at a time when and governments in the Gulf ware bushes and governments in the Gulf ware bushes are bushes and governments in the Gulf ware bushes are bushes and governments in the Gulf ware bushes and governments in the Gulf ware bushes and governments and the Gulf ware bushes and governments. and governments in the Culti-were busily constructing their own status symbol airports. The result was a prolifera-tion of airports in the region, all eager to sign up new customers to justify their

International airlines, particularly those operating from Europe to the Far East, were enthusiastic about the opportunities the market offered.

### Protection

Ali Ebraham al Maîki, chief executive of Gulf Air, says the sheer quantity of seats now offered to Gulf travellers has evoded the natural market share of the region's national carrier. "We only have 25 per cent of our rightful market—we believe we are entitled to the seat 50 per cent."

at least 50 per cent."

He estimates that eight seats are on offer for every seat eventually filled by a passenger, a situation which he believes is ludicrous and should end. Guif Air has been trying for years to end the "open skies" policies followed by some of its four shareholder states—Bahrain, Catar, the United Arab Emirates and Organ.

Oman.

A number of the airports pursuing such policies, particularly those in the UAE, are likely to try to protect their business. However, the growing strength of the Gulf Co-operation Council and the unity it promotes could wield e powerful stick over the interest

of individual airports.

Gulf Air executives explain that while closing the skies to that while closing the sales to fifth fineedom operators could represent a temporary loss of business for airports in the area, the airlines will have to continue to make technical stops anyway. Beirut is still not a safe alternative, and Tehran's a sale sale airport dropped off the international airfine map at the time of the revolution. Malki believes that the net

Malki believes that the net loss of business in the end would probably be only 30 percent, and this gap would be gradually filled by Gulf Air with increased frequencies. In five years, with natural traffic growth, the impact of such a move on the airports' business might be negligible, and for Gulf Air, the bonus of procession would ensure its contection would ensure its con-timued profitability.

But until such moves are decided upon by the govern-ments which own Gulf Air, the airline is forced to adopt the

discounting measures it has been for so long condemning. Nicolas Moudarri, the air-line's commercial general manager, says the discounts will depend on seat availability and the strength of the carrier in each particular market. will leave a lot to the discretion of our local marketing managers. We will match the discounts when it suits us." first the discounts be available only

AFTER YEARS of battling from Dubal and Abu Dhabi, at Boeing 767s, the Airbus and against airlines which give where prine-cutting by other discounts on their fares, Gulf operators has severely croded at has decided to join the scramble to protect its market share. However, it is difficult to see how the airline will be able to ward the airline will be able to ward the destinations which are also ward the airline will be

discount ticket market comes at a time when Gulf Air faces a major face left in its fleet. At present the airline has nine Boeing 737s and nine TriStars, and in the next few years, up to the onset of the 1990's, it expects to order an additional 16 to 17 sircraft.

Malki explains that such purchases are necessary to keep up with the high growth rates that the airline is still experiencing. Although growth has tailed off from the phenomenal rates of 30 to 40 per cent a year in the 1970s, at is still

be financed parily out of profits, and parily from manufacturers' credits and the banks. "We

the purchases in cash.
This time, also, the airline last time Gulf Air bought a number of American aircraft,

there was a spate of reports of huge commissions being paid to influential agents, and Malki says he is anxious to avoid a recurrence of such payments.

Gulf Air says the decision on what it is to buy will not be Beirut, Damas made until the end of this year, which currently but that it is currently looking by the airline.

off pressure from Behraini line will attempt to serve in the travel agents for similar discounts when cheaper fares are available in the UAE.

The reluctant plunge into the network in the Arab world. At present, the airline has no

set date mapped out for a New set date mapped out for a New York routing. A U.S. service has not tempted the management yet, although its fellow manage-ment in Saudi, Kuwait Airways, MEA and Alia all run services into the States. "No one makes money on that New York route," said Malki firmly.

Future destinations are thereon the agenda is Rawalpindi in Pakistan, which for Gulf Air represents the greatest potential

### Diversions

executives believe this traffic, which consists mainly of labourers, could begin to tail off as the number of construc-tion projects in the Gulf area is cut back because of the fall in oil revenues.

When this bappens, these flights will be diverted to Arab destinations such as Khartoum, Beirut, Damascus and Sanaa, which currently are not served

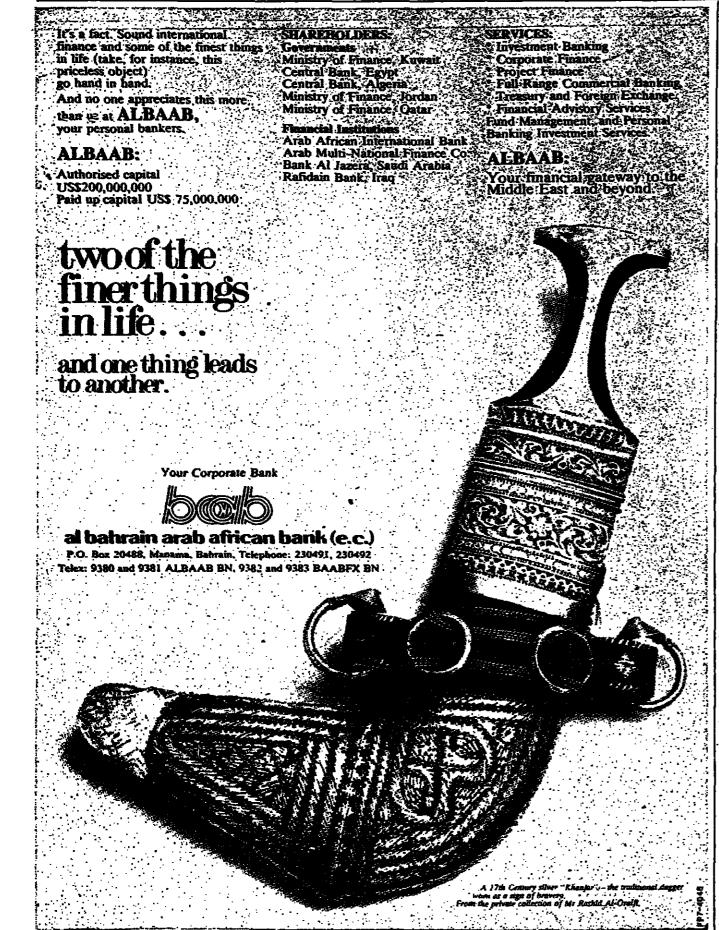
to 70 per cent, some of the highest in the world.

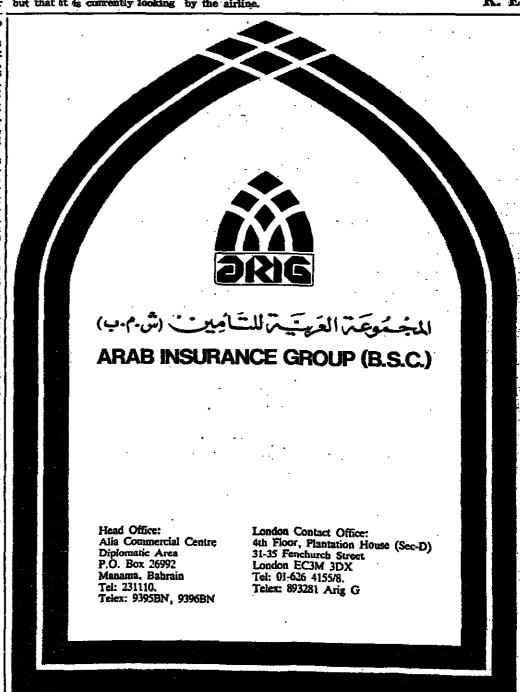
Cargo traffic continues to notch up new records. The volume of cargo is currently running at 3.5m kilos monthly, says Ralph Townsend, cargo sales superintendent. However, loads, the airline has been deterred from purchasing a freighter aircraft. Cargo traffic is now accounting for some 10 per cent to 15 per cent of total revenue a year, despite the decline in the value of the fore much closer to home. First pound sterling and the Indian

In the longer term the future of Gulf Air is likely to be closely bound up with the other of all. However, such plans have of Gulf Air is likely to be been blocked by a refusal by the closely bound up with the other Pakistani Government to grant carriers of the GCC States. namely Saudia and Kuwait Airways. Already resolutions have been made on collective purhave the ability to borrow from the banks, even quite large for the most prolific market for services, catering and ground for the airline will be putting up as much as half of the cost of the purchases in cash.

The Asian sub-continent is by services, catering and ground services, the near future is likely to see the establishment operates 30 TriStar flights to fa joint civil aviation the airline will be putting up as much as half of the cost of the purchases in cash. zier, wizich Gulf Air's believes could be one of the largest cargo carriers in the world. However, such develop-ments will have to await the fate of the fifth freedom carriers in the Gulf area, for at the moment the proliferation of passenger services is matched by a proliferation of cargo air-

K. E.





### Industry

### **BAHRAIN XI**

Construction Product

### Heavy oil conversion plant leads diversification projects

Bah/Kuw/Saudi

Arab Mining Co.

& Gulf investors

IN BAHRAIN over the next five years some \$2.5bn worth of new industrial projects are scheduled for completion. As yet there are no signs of major gramme, either from the Bahrain Government side or from its partners in Saudi Arabia and Kuwait, who are underwriting much of the cost. Projects may, however, be spread over a longer period of

The biggest new project will be owned by the Heavy Oil Conversion Company (HOCC), and will operate in association with Bahrain's existing refinery. The scheme owes its birth to its shareholders' realisation that the application of the most advanced technology to the oil industry has become a priority if Gulf producers are to hold their own in world markets.

After examining a wide range of alternatives, the Lummus process engineering company of the United States has just completed a feasibility study for an 80,000 barrels a day hydro-cracking unit, which will con-vert residual fuel oil into lighter, higher value products. The project will be considered by HOCC's board of directors on July 18. The consultant's report will then be presented report was their the presented to the industry ministers of the three shareholding states, Bahrain, Saudi Arabia and Kuwait, who are confidently to give the go-shead.

GARMCO's 40,000 tonnes a year hot and cold rolling mill could supply as much as 40-50 per cent of regional demand for aluminium building sheet, foil Every year's delay puts up the price: today, the processing plant and ancillary marine installations would probably cost just over \$1.5bn, but inflation might boost this to at least \$1.8bn for a 1985-88 construcstock and general coil and flat products. But the very existtion period—the earliest for which design work and contract specifications could be ready. is reasoned that local manufacturers will exploit the downstream opportunities, ranging from kitchen utensils to truck

#### Contribution

Some oilmen have doubts about the economics of shipping to Bahrain feedstock by tanker to top up the supplies of fuel oil available in the country. Although each government is committed to providing its share, Saudi Arabia has no of the turnkey construction con-tract. This will include the supsuitable feedstock from its own sources and Bahrain will probably have to buy some oil on the open market in order to provide its 40 per cent contribu-tion, even if the refinery operates at low throughput for commiss

HOCC plans to employ about 800 people, of whom 80 per recruited abroad; but refinery cutbacks could make more experienced process operators available locally. HOCC might share with Bapco housing, medical and computer services.

On May 11 doubts were cleared up on another diversif-cation project — the long discussed Gulf Aluminium Rolling Mill Company (GARMCO).
A letter of intent was signed to award a \$200m construction contract to Kobe Steel of Japan. GARMCO will be associated with the Aluminium Bahrain (ALBA) smelter.

Name of Company Gulf Petrochemical Industries

Mill Company (GARMCO) Heavy Oil Conversion Company (HOCC)

**Gulf Acid Industries** 

Company (GPIC)
Arab Iron and Steel
Company (AISCO)
Gulf Aluminium Rollin

Company (BLICO)

The award of the GARMCO contract had been scheduled

for March 1, but at the height of the oil price debate, which

raged at that time, a senior

Bahraini official spoke of the

feasibility of the project being re-assessed. It would not have

been surprising if one or two of the shareholders (Bahrain,

Kuwait, Saudi Arabia, Iraq Qatar and Oman) had felt

reluctant to go ahead on the basis of the long-range market forecasts produced by the Gulf Organisation for industrial Con-

sulting (GOIC), which had promoted this first exercise in

pan-Gulf industrial co-operation.

bodies and from soft drink cans

pointed financial consultant to

GARMCO. Project consultant is

Kaiser Engineering Services, which will supervise all aspects

ing of operating personnel.

to curtain walling.

Construction

projections,

GOIC's

Bah/Kuw/ Saudi/Iraq/ Qatar/Oman Kuw/Saudi 39% each Gulf Investr Co. 48%, offi 1981-84

**NEW INDUSTRIAL PROJECTS** 

Approx cost

4m tpy alum, sheet, coil foil stock 49,000 tpy light distillate from fuel oil window frames etc. sulphuric acid 9,000 tpy

monia/methanol

250,000 tpy each iron pellets

Experience

The largest single order, worth \$10.5m, has been won by Britain's Motherwell Bridge for the supply of ammonia and methanol storage tanks, and Barclays Bank International has negotiated an ECGD credit line of up to \$20m. Export credit facilities have also been made available on orders to manufacturers in Germany, Japan, Italy and Holland. All equipment orders should have been placed by the end of the year, and the first deliveries are scheduled to arrive on site for early 1984.

which is supplying technology

Orders have been placed for

most of the long-delivery items and a sum of \$65m (out of a

possible \$200m) has now been

Dr Tawfeeq Almoayed, chairence of such a plant is expected to boost the market, because it man and managing director of GPIC, heads a three-man committee set up to devise a marketing strategy. Its members are Abdul-Bakr Naimi, chair-man of Kuwait's Petrochemical Industries Company (PIC) and Abdul-Aziz Al Zamil, vice-chairman and chief executive In November last year Lloyds Bank International was apof the Saudi Basic Industries Corporation (SABIC). Both Saudi Arabia and Kuwait have experience of the ammonia market, while SABIC has experience of methanol.

World petrochemical prices are currently low, but even so they are above those assumed in studies to determine the commercial viability of the Gulf Petrochemical Industries (GPIC) ammonia and methanol plant. Despite the number of new petrochemical projects coming on stream in the Gulf, ceeding on schedule sioning in 1985. The site has been reclaimed from the sea and was frauded over to the Italien main contractor, Dr Almoayed points out that by 1985 they will still be produc-ing only 7 per cent of the world's total requirement.

year. Civil and mechanical work has been sub-contracted to SAIPEM, which like Suampro-"I think we will be able to stand competition," he says. "The deciding factors are cust of feedstock, freight charges and management efficiency. The first is no problem in the Guif gretti is a subsidiary of the Italian state-owned ENI oil corporation. Other sub-contractors include Wimpey Laboratonies (soil investigation), GKN (foundation work using vibro-floating) and a local civil contractor, Almed Mansor Al A'ali. and we will try to achieve the third: we can keep freight charges down by co-ordinating shipments among ourselves, so that vessels never leave the GPIC has established a pro-Gulf with less than a full load." curement office in Milan, to

work in close consultation with Snamprogretti which is supply-The Arab Iron and Steel Company (AISCO) is also making progress on its iron ore ing equipment for the plant on a cost-reimbursible basis, and pelletising project. Reclamation of 1.2m square metres of land

for the project east of the Arabian Ship Repair Yard (ASRY) dry dock is now 80 per

It forms a new industrial island bigger than the shipyard itself. The plant site has already been turned over to Kobe Steel, which has a \$207m turnkey construction contract and a start has been made on concrete foundations by the sub-contractor, Balfour Beatty, which has completed most of the piling for a deepwater jetty to berth bulk carriers of up to 100,000 dwt

The \$41m jetty sub-contract is the subject of litigation by another British firm, John Howard, which previously received a letter of intent and reportedly mobilised materials and equipment on the strength of it. According to AISCO, the deal came to grief over nego-tiation of a supervision fee for

AISCO will use the grate-klin system to transform iron ore fines into the hard but porous pellets which meet the require ments of the HYL and Midres reduction processes. But existing reduction plants in the region (in Saudi Arabia, Qatar and Iraq) could consume only about half of AISCO's planned pellet output of 4m tonnes a year, even if the product is competiitve on a world-wide basis and the company can make inroads on established market shares.

**Backing** 

Other regional steel projects are in the pipeline, and the 1985 demand for iron and steel 17m tonnes a year; but unless backing to implement its own 2m tonnes a year direct reduc-tion project (which looks increasingly doubtful without heavy government support), it will be dependent for some years on exporting outside the

It is this thought which has given rise to some doubt as to whether the advantage of chear energy will compensate for high construction and labour costs and the expense of shipping in raw material and shipping out product to distant destinations.

A number of Kuwaiti private sector investors are putting their money into AISCO, as are the government-backed Arab Mining Company and Kuwait Foreign Trading tracting and Investment Com-pany. Bahrain's state social security organisation has a small stake, as do the three

Bahraini national banks. While the Bahrain Governsmall-scale private enterprise of the type represented by the type represented by Gulf Acid Industries, whose \$2.5m factory is to be built under the supervision of Simon Carves of India, it has had to weigh in more heavily on the side of the Bahrain Light Industries Company (BLICO) which had considerable difficulty in raising private capital to finance its \$5m furniture factory.

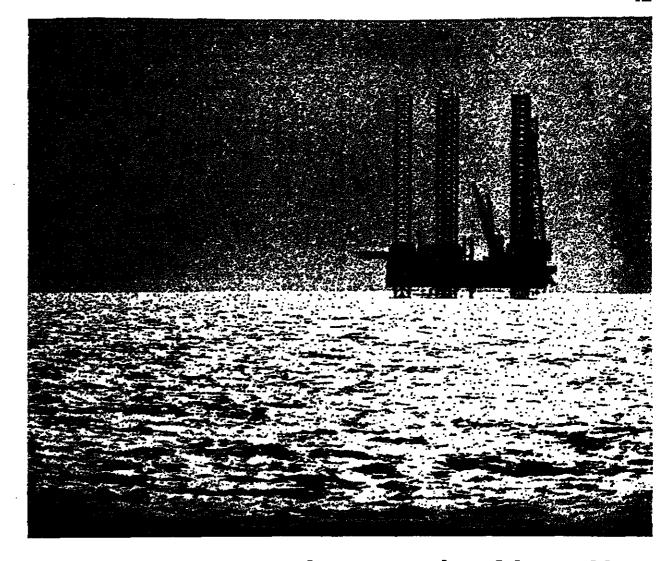
The major shareholders, as a

The major shareholders, as a Gulf Investment Company EC (48 per cent), the General Organisation for Social Insurance (15 per cent) and the National Bank of Bahrain (11

per cent). In September 1981 BLICO signed a relending agreement with the Government of Bahrain to make available a \$5.4m soft loan from the Abu Dhabi Fund for Arab Economic Develop ment. And in February this year, in conjunction with the signing of a contract for the supply of woodworking machinery with the Italian company SCM International, the company was granted on extremely favourable terms a BD im loan from the National Bank of Bahrain to finance letters of

A \$3.5m civil construction contract has been awarded to the local contractor Mohammad Jalal, the \$5.3m package from SCM includes commissioning of the plant, management assistance and training of personnel. Hamad Abul, its chairman, says Hamad Abul, its chairman, says the furniture factory—the first of several projects to be undertaken by BLICO—will be in production by the end of the year and will look for a turnover of \$27m a year when it reaches full capacity in 1986. However, breakeven point could be reached a year earlier, at 45 per cent of capacity.

Mary Frings



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350)

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INTERNATIONAL

INVESTMENT CENTER

Balance Sheet at 31st December, 1982

SHAREHOLDERS' EQUITY AND LIABILITIES U.S. Dollars

par value US \$ 0.25 each ...... 125,000,000

Authorised Capital: 1,200 million shares of parvalue

Issued and Paid Up Capital: 500 million shares of

Statutory Reserve..... Optional Reserve .....

Retained Earnings.....

Fixed Deposits .....

Total Investments .....

Notes Receivable - Unsecured.....

Loans-Secured ..... Loans - Unsecured.....

Other Debit Balances.....

Fixed Assets after Depreciation.....

Total Assets .....

Bahrain International Investment Center B.S.C. (Exempt)

Kuwait Branch Office - Telex: 46685 JARSTAG

Total Shareholders' Equity.....

Creditors and Other Accruals ..... 

\*MANAGEMENT \*LETTINGS

AND FURTHER DETAILS CONTACT:

SURVEYORS VALUERS & ESTATE AGENTS

POBUX 801. MANAMA. BAHRÁIN TEL 259913 TELES 8819 FROAG BN

Shareholders' Equity:

**ASSETS** 

\*SURVEYS \*VALUATIONS

### BAHRAIN XII

Arab Shipbuilding and Repair Yard reducing losses

## Building up a solid reputation

THE OPENING this month of Machado Lopes, the general tanker market. VLCC activity price level for crude in a Dubai's 1.85m dwt ship repair manager of ASRY. was affected worse than medium glutted market, tanker move-Dubai's 1.85m dwt ship repair complex, following the appointment of A. and P. Appledore as operating company, does not frighten the Arab Shipbuilding

and Repair Yard (ASRY) in

The three Dubai docks have lain idle for four years since their completion, while the Bahrain dock, owned by the Organisation of Arab Exporting Countries (Opec), has been building up a reputation for skill and good workmanship under the management of Lismaye of Portugal, one of the most experienced very large crude carriers (VLCC) repairer in the world. "I think Dubal has many more reasons to be afraid of us," says Antonio

300,000,000

9,078,376

136,465,760 449,419

136,915,179

44,381,241

9,824,570

70,848,002 18,457,730

30,573,707

177,927

134,324

136,915,179

It is true that the advantages of a location at the centre of major tanker routes (where vessels arrive gas-free after a long ballast haul), and an ideal climate for hull treatment, will be shared by Dubai; that the Dubai yard is lavishly equipped and that Thorsten Andersson, the Swede appointed by A, and Appledore to run it, enjoys high reputation. "I respect a high reputation. him," says Mr Machado Lopes, "but life will not be easy for him. A shipyard is thousands of people. It takes a long time to build up a real company with local input — and without that, where is the human benefit for the country? We have a competent 65 per cent Arab work-force, backed up by manage-rent and technical expertise om Lisnave, and we can offer

nality, service and price."
Dubat, in his view, will be just one more shipyard to ght" in a market where there re already too many shipyards hasing too little work. Neverheless he wishes it success be-cause he believes the presence of a second VLCC yard will enhance the reputation of the Sulf as a shiprepair centre. If Dubai fails, "the Gulf will lose tremendously." If it makes inroads on ASRY's hard-won market, "we will take ships from someone else in the

that, initially, the news that Dubai had at last signed up an operating company and was going ahead was a shock to

ome ASRY people. Now they are interested to see how it will perform and determined to improve effiiency at ASRY. Steadily declining world de-

nand for oil, surplus of tonnage, depressed charter rates and high fuel costs made 1982

size tanker business and owner were keeping spending to a minimum and postponing repair work wherever possible.

Against this background and in the face of tough competition from ship repairers worldwide, ASRY did well to maintain drydock occupancy at 89 per cent. Numbers of vessels are less relevant than the scope of re-pair work, but for the record 49 (including 20 VLCCs) entre 24 the drydock and another 24 were repaired alongside, representing a total of 8.9m dwt.

#### Improvement

ASRY did not make a profit 1982 and indeed has yet to break even, but losses were sig-nificantly reduced, following an

nificantly reduced, following an improvement in 1981 on the \$9.7m deficit revealed by OAPEC for 1980.

Revenue grew 5 per cent over 1981, from \$29m to \$31m, but the management feels a five-year comparison gives a better indication of the shipyard's development. In 1978, ASRY had 1 130 comployees (excluding had 1,130 employees (excluding trainees) and earned \$14m—a net revenue of \$12,434 per employee. In 1982 it had 1,150 and net revenue per employee of \$30,598. Due both to the increase in

ASRY's capability and to the ageing of the tanker fleet, the average value of individual re-pairs has been rising year by year since the yard was opened at the end of 1977. Early in 1982 the company won a repair order worth over \$5m, for fuelultra Large Crude Carriers (ULCC)s), each over 350,000 dwt. More recently, 200 tomes of hull plating was renewed on the Kuwaiti-owned Ras al Zour,

wif.

The company is still making
While oil producers struggled strenuous efforts to find landearlier this year to find a viable work for its extensive fabrica-

after it ran aground in the

ments almost stopped. The first three months of 1983 saw smaller ships in the yard and a reduction in work content.

But business improved from the second half of April and ASRY is now fully booked until the middle of June, with some provisional orders to the end of is not expected to be worse than 1982, and at least a few of the 100 or so tankers anchored out-side the Gulf for the past year must be needing repair before they can load.

To help its position ASRY has implemented a stringent cost-cutting programme, and service and section heads are called in for quarterly briefings on the revenue expenditure situation so that the workforce knows

so that the workforce to cows exactly what is going on.
"There is no question of reducing manpower," says Mr Machado Lopes. "That would be very dangerous. We are known in the world for repairing VLCCs and we are committed to a certain conseive. We ing VI.CCs and we are committed to a certain capacity. We are not touching training (which has a \$2m budget) or salaries; but we are cutting down on everything else even on air-conditioning. We are paying half as much for electricity as in 1981. As far as employee benefits go, we have never been rich so we are not spoilt; we do not change cars every couple of years—all our cars are six or seven years old. I am confident of saving at least 30 per cent on budgeted expen-

Design for a shore-based tank cleaning station is going ahead, but plans for extensions to the jetties, an additional pier and a small second drydock have been put on ice. This is not the shipping side, it is felt.

time to increase capacity on the



ASRY did well last year to maintain dry dock occupancy at 89 per cent. Here a Kuwaiti tanker undergoes repairs

tion shops. Negotiations are well advanced for \$2.8m worth of steel fabrication orders from two Gulf companies, but if governments were to insist on a proportion of steelwork con-tracts for public sector construction contracts going to regional fabricators, available capacity all round the Gulf would be

better utilised. keeping their men employed has been the major concern of the two smaller shipyards in Bahrain, which are competing for the available business with for the available business with more than two dozen other repairers of tugs, barges and supply boats around the Gulf. The first quarter of the year was poor and although business picked up in April they do not have a great deal of forward workload.

#### Exceptional

In a determined bid to hold on to its market share, Bahrain on to its market share, Bahram Ship Repairing and Engineering Company (Basrec) has invested in a 120 metre x 22.5 metre floating dock, which will go into service in July and lift the yard's capacity from 1,000 to 3,500 net tonnes.

Basrec will not have "inhouse" gustomers for its float-

house" customers for its floating dock, as does Qatar Navigation. But oil rig supply vessels coming into the area are getting bigger and heavier, and the general manager, Mr Eric Cockerill, reports "a lot of interest" in the potential of the new dock, which was bought

from Tristar Marine in Sharjah. Built in 1977, the dock has been used only five times, and never commercially.

Results for 1982 were "satisfactory," says Mr Cockerill. In fact, after exceptional expenditure of \$560,000 on slip-way repairs and \$240,000 on consultancy fees, the year's profit at \$2.6m was ahead of the \$2.5m achieved in 1981, and the \$2.5m achieved in 1981, and the company paid a 35 per cent dividend. It was on the point of investing some \$9m in building an additional slipway of 2,000 tonne capacity (hence the consultancy fees) when the purchase of the floating dock became a more attractive propo-

The other small shipyard, the privately-owned Bahrain Slip-way Company, admits to a "small loss" in 1982, a year of reorganisation which saw the workforce cut from 309 to 248 plus 12 apprentices. Although slipway utilisation improved from 57 per cent to 62 per cent, revenue was sharply down on 1981 and 20 per cent below budget. The general manager, Mr Lyali Craig, sees 1983 as another year of austerity, in which everyone in the skip. which everyone in the ship repair business will be concentrating on cost-efficiency and debt collection. Nevertheless, he believes Bahrain Silpway is now in better shape to meet the

Mary Frings

### Cautious optimism in aluminium sector

THE SOMBRE mood of months of 1983 are looking market. aluminium producers and manufacturers last year has given back in profit at year-end. way to cautious optimism, and traders are smiling broadly over aluminium industry has come through its second recession

leaner but intact.

Kaiser Aluminium and Breton

Kaiser Aluminium and Breton

Kaiser Aluminium and Breton

Investments, who are 17 per capacity at Bahrain tentral primary metal, by utilising in the 170,000 tonnes (mt) a year ALBA smelter, had the bidder.

Atomisers International, in the would like to see local troubles elsewhere in the world by a 51 per cent shareholders.

The government-world extru-trom 300 mt to 500 mt. The soft company, BALEXCO, is most significant growth was in Western Europea, Korea, also on the path to expansion, Bahrain, which now absorbs 34 financed by a BD 250,000 per cent of BALCO's output (\$660,000) loan from the against the 28 per cent expectation and insurance and insurance shift and insurance shift and insurance shift and insurance and insurance shift a and must have taken a long hard look at their investment in Bahrain, particularly since majority government ownership (Bahrain 58 per cent and Saudi Arabia 20 per cent) made ALBA less responsive to short-term commercial considerations than producers in Europe and Japan. With metal prices at rock bottom. ALBA continued to operate to capacity and to pro-vide its shareholders with ingots which could only be sold at below cost, despite the management's success in increasing efficiency and cutting down on expensive expatriate manpower.

### Pessimistic

The two governments' 133,000 mt share of ALBA production is marketed by a company known as RALCO—formerly the Bahrain Aluminium Marketing Company and now the Bahrain-Company and now the Bahrain-Saudi Aluminium Marketing Company. The firm made a loss of \$22.2m in 1982. Its trading position was already \$16.4m in the red at mid-year, but the forecast of a \$30m deficit by year-end proved to be unduly pessimistic. The final figure was calculated after payment of \$6.9m in interest on the stockpile, and a \$7.6m provision for unrealised depreciation in the value of stock.

unrealised depreciation in the value of stock.

Sales roughly kept pace with production, since a decision was taken at the end of 1981 not to increase the stockpile beyond the 62,000-64,000 mt of undestined metal then held, plus regular "working stock" of some 15,000 mt. Unfortunately this meant selling at prices below the level at which BALCO previously stockpiled.

If demand accelerates, a sub-

will be seen this year.

BALCO's most important

customers in the Middle East, which accounted for 25 per cent of sales, are the closest to the smelter: Midal Cables and the Bahrain Aluminium Extrusion Company, BALEXCO. But over 60 per cent of BALCO's

Appointment deliveries went to the Far East, principally Japan which has closed down much of its own

the roller-coaster of the metal Olex shareholding was reduced markets for nearly eight years to 20 per cent last year when and is far too experienced to Saudi Cables Company of fall into the trap of over Jeddah joined forces with Midal confidence at the first sign of to combat fierce international an upturn. But the first few competition in their regional

a 30-40 per cent improvement of October giving BALCO a bigger man of Midal, is also seeking percentage of premium percentage of premium percentage of premium percentage of premium incentives ranging from reduced many of 1983. Bahrain's and there are modest future incentives ranging from reduced the many percentage of premium product product incentives ranging from reduced the many percentage of premium percentage of premium product. prospects in the powder market power costs to the kind of ex-which might encourage the port finance and insurance

Breton investments. Eckhard Werke has been running 3,000-3,500 mt of Breton metal through the atomiser with profitable results, despite a dip in powder prices.

ALBA's board of directors will consider a proposal on May 31st for plant modernisation requiring an investment of \$25.830m and offering a 10 per \$25-\$30m and offering a 10 per cent increase in metal produc-tion, together with reduced manpower, energy and raw material costs.

material costs.

This is much less ambitious than the long-discussed waste heat recovery project, which would have produced 110,000 multiple and 5m gallons a day of desalinated water—but which has the property lack on the salinated water—but which has the property lack on the salinated water—but which has the property lack on the salinated water—but which has the property lack on the salinated water—but which has the salinated water—but which water—but water—but which water—but which water—but which water—but which water—but water—but which water—but which water—but which water—but water—but water—but water—but which water—but water regretfully been put back on the shelf until advances in heat recovery technology make it economically more

attractive. Mr Gudvin Tofte, the general manager of ALBA, is enthusiastic over the introduction of state of the art" process technology, since a major bene-fit would be to improve the working environment of the pot-room and cut the number of men employed there by 35-40 per cent.
The modifications would in-

clude installing hoods over the pots, the collection and scrub-bing of gases from the smelting process, and computerised alumina feed control. The smoke from the kiln stack would also be cleaned up to meet more stringent pollution standards. Working in a smelter is not If demand accelerates, a sub-the most comfortable job in stantial drawdown of stock Bahrain, but over 560 nationals have completed 10 years with ALRA and are increasingly moving into management posts, in operational areas as well as

### Appointment

The privately-owned Midal Cables Company, a comparaclosed down much of its own Cables Company, a comparasmelting capacity because of
high energy costs.

Together with small consignments to South East Asia, the
Indian sub-continent, Australasia and Europe, BALCO
May 1 of a power generation
counted 121 customers in 22
countries last year, and may see
a resumption of exports in the

countries last year, and may see chief executive.

a resumption of exports to the U.S. by the end of 1983.

Mr Faisal Ali Mirza, the joint-venture between Zayani recently appointed Bahraini Investments of Bahrain and general manager, has ridden of Clex Cables of Australia but the characters of the matal.

cable), Midal is not yet working to capacity but has managed to stay in profit. The comagnity attention and a return to profitation and a return to profitable attention attention and a return to profitable attention attention and a return to profitable attention attentio By working together, the two companies hope to rationalise Increased billet capacity at their operation and cut costs,
ALBA should be on stream by
October giving BALCO a bigger man of Midal, is also seeking

products being given priority over imports in government proIts partner in the atomiser is jects throughout the Gulf technology to reduce unit costs and increase capacity by up to germany, which is also represented in ALBA through Breton Investments. Eckhard Werke has been running 3,000-3,500 mt of Tables instead of Saudi Arabia.

National Bank of Bahrain, This fairly modest investment will take advantage of the latest and increase capacity by up to assembly workshops are busily to 6,000 mt a year of the normal semily and BALETCO has to 6,000 mt a year of the normal semily against the 28 per cent exported to Saudi Arabia.

While the high level of construction activity may tail off, and increase capacity by up to assembly workshops are busily and to 6,000 mt a year of the normal semily against the 28 per cent exported to Saudi Arabia.

While the high level of construction activity may tail off, and increase capacity by up to assembly workshops are busily and to 6,000 mt a year of the normal semily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily and the form of manufactured goods are assembly workshops are busily assembly workshops are busily and the form of form of the form of

pany recently started drawing alloy rod into cable, and is now considering a fully integrated alloy operation and diversifica-tion into copper and insulated The government owned extru-

-in short, cables instead of cash.

With a metal throughput of opened to BALEXCO from the 18,000 to 20,000 mt a year, depending on the product mix beginning of last year, with the day of the 20 per cent tariff (rod, all aluminisum conductor barrier against imported extra relative to the state of the source of and steel reinforced aluminium sions, and this contributed to a

tion and a return to profit-ability after a loss in 1981.

sufficient volume and a multi-plicity of small orders; it was not until the latter half that business picked up sharply and monthly throughput climbed from 300 mt to 500 mt. The

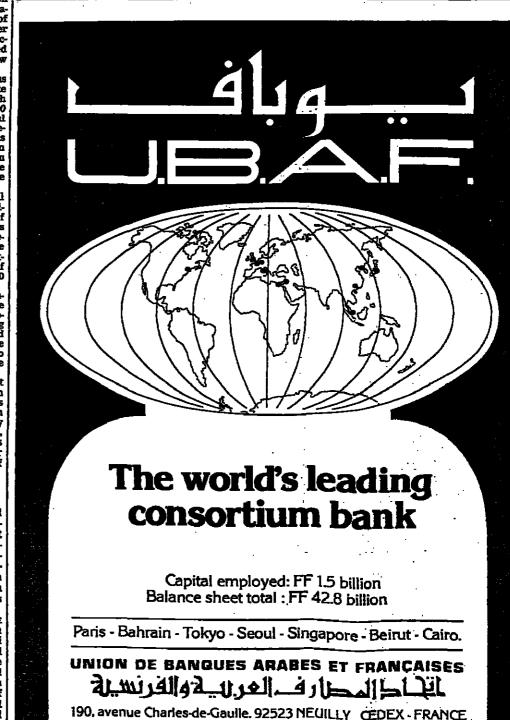


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access will be available " to most major European countries.





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